

University of Groningen

Roles of performance measurement in local government

van Elsacker, W.J.

IMPORTANT NOTE: You are advised to consult the publisher's version (publisher's PDF) if you wish to cite from it. Please check the document version below.

Document Version

Publisher's PDF, also known as Version of record

Publication date:

2007

[Link to publication in University of Groningen/UMCG research database](#)

Citation for published version (APA):

van Elsacker, W. J. (2007). *Roles of performance measurement in local government: explorative case studies in Dutch municipalities*. [Thesis fully internal (DIV), University of Groningen]. EPM Sneek.

Copyright

Other than for strictly personal use, it is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), unless the work is under an open content license (like Creative Commons).

The publication may also be distributed here under the terms of Article 25fa of the Dutch Copyright Act, indicated by the "Taverne" license. More information can be found on the University of Groningen website: <https://www.rug.nl/library/open-access/self-archiving-pure/taverne-amendment>.

Take-down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from the University of Groningen/UMCG research database (Pure): <http://www.rug.nl/research/portal>. For technical reasons the number of authors shown on this cover page is limited to 10 maximum.

4. Four Case Studies

This chapter contains reports on the four case studies. These case studies were made within one Dutch municipality, and relate to four different functional groups: Welfare Payment, Sewerage, Economic Policy, and Spatial Planning. The chapter begins with a brief introduction to the case studies and an overview of planning and control in the municipality. The rest of this chapter contains the four individual case study reports.

Introduction

The municipality of Leeuwarden is the subject of research. The city is situated in the northern part of The Netherlands, and is the capital of the province Fryslân. Important criteria for selecting this municipality were, amongst others: its size (the town has around 100,000 inhabitants), its relatively stable organizational structure in the recent past (e.g. no recent mergers with other local governmental organizations, no recent large scale re-organizations), and its history of gradual development of planning and control systems.

Prior to the start of the four case studies, some intake interviews were held with the civil chief executive and the controller of the municipality. The purpose of these interviews was to collect information about the four selected functional groups, and to compare this information with the findings of the selection phase⁴⁰. In general, the interviews confirmed the findings of the selection process. No clear indications of ill-selected cases or organization surfaced at the start of the case studies.

The focus of the research is on the use of performance measures for management control, and therefore on the design and use of planning and control and the use of performance information within the municipal organization. The planning and control instruments, the planning and control process, and the budget process are thus the objects of the study.

Due to the descriptive and exploratory nature of this research, its aim is to embrace a wide range of items that relate to the use of performance measures. Central to this process of collecting, documenting, and analyzing information is the research protocol⁴¹ (see previous chapter). This protocol contains the processes to be followed, the activities to be performed, the rules to be followed, and the questions to be asked. The protocol is more than a guideline, it defines specific rules that must be respected, and specific information that must be gathered. It also leaves room for the researcher to address additional issues and to ask for complementary or supplementary information. Information is gathered by desk research and interviews. Draft versions of the interview reports were communicated to the interviewees. The case

⁴⁰ During these interviews the checklist, previously used to select organizational functions, was applied.

⁴¹ Case study protocol is available on request.

study reports were based on the final interview reports, and were discussed with the involved persons (for an overview of the interviewed persons see Appendix III Interviewed persons).

The four case studies were sequentially executed and reported. When relevant or useful, additional observations were included during the research. Beforehand it was assumed that aspects could differ significantly per case study. Each case study therefore documents the specific context of the researched aspects. To enhance the comparability between different case studies, they are reported in a uniform format. Although this format means there is some repetition, due to common ground within each case study, there is still the flexibility to document specific items.

The main stands of the four case study reports are therefore comparable. Each case starts with a report of the most relevant strategic objectives, a summary of the legal and organizational context of the researched group of activities, and a brief description of the relevant planning and control documents. The use of performance related information is then documented from three different organizational perspectives; from the viewpoint of the aldermen, the director (civil servant), and the operational manager. Each case study ends with a documentation of the aspects as defined by the researched framework.

The next section introduces the planning and control instruments used by the municipality. Subsequently, the four cases are presented.

Planning and control at an organizational level

The researched municipality (Leeuwarden) uses a planning and control approach for formulating and evaluating its strategic objectives and for controlling the execution of these objectives. Central to this approach is the use of various predefined planning and control instruments. These instruments can be classified in two groups: once or occasionally drawn up instruments (often future-oriented with a time horizon of more than one year) and instruments produced within the annual planning and control cycle.

Most of the municipal policies and strategic objectives have a multi-year horizon, and many instruments of strategic planning are produced outside the annual planning and control cycle. A few typical examples are:

- The Executive Program 2002-2006, determined by the executive board (made up of the mayor and aldermen), in which the municipal council of Leeuwarden (abbreviated as Council) outlines its vision and strategic priorities for the coming years.
- The “City Vision 2002”⁴², set by the Council, which contains strategic concepts relating to living in the city and to the accessibility of the city.
- The “Regional Vision”⁴³, set by the province of Fryslân, with reference to the researched Council and the local water board, concerns general themes such as strengthening the position of the city in relation to surrounding cities (in terms of living, working, culture, health services and education).
- The City Covenant, an agreement between the Council and the province of Fryslân.
- MOP2, the second version of a long term development program, used in a “large city”⁴⁴ covenant between the city and central government. This covenant stimulates and finances projects related to the specific situation of the thirty largest cities in The Netherlands.
- Several policy documents and plans⁴⁵.

These documents contain specific visions, policies, goals, objectives, and plans. These documents are often set up for a specific purpose and focus essentially on the aspects relevant to that purpose. Together these documents form the complex, detailed, yet not closely related and even sometimes divergent policies of the municipality.

The annual planning and control cycle is used to carry out the local government’s policies. This yearly cycle integrates the organizational policies into comprehensive organizational formats (often relating to the current or coming year), and contains all

⁴² In Dutch the “Stadsvisie”, titled “Sailing under own flag” (“Varen onder eigen vlag”).

⁴³ In Dutch “Regiovisie Stadsregio Leeuwarden en Westergo zone”.

⁴⁴ In Dutch “Grote stedenbeleid” or “GSB”.

⁴⁵ Such as the 2001-2004 Art and Culture policy plan, a plan for public school concentration, a plan to stimulate the local economy, a parking policy plan, and several medium term programs (e.g. infrastructural or sewer system programs).

the instruments necessary for yearly organizational planning and control. The yearly cycle in Leeuwarden is contained in the following instruments (see also Table 3).

- The Pre-Budget Report, a brief reflection on the mainly estimated financial or-
ganizational policies. This report gives an insight into the boundaries for the
coming years, and is used as input for program and budget setting. The dis-
cussion of the Pre-budget report in the Council gives the executive board
feedback on the need for, or opportunities for, policy changes.
- The Program Budget, the main budget of the municipality, documents the
budgetary results for which the executive board is held accountable to the
Council.
- The Sector Plan, produced by the sector manager and set by the civil execu-
tives, documents the objectives and actions of the Program Budget in more
detailed and operational terms.
- The Interim Report (TURAP), in which the executive board reports to the
Council the progress of the activities defined in the Program Budget.
- The Quarterly Report, in which the sector managers report progress against
the Sector Plan.
- The Sector Account, year end report, in which the sector managers report the
realisation of the Sector Plan to the civil executives.
- The Annual Account and Report, in which the executive board gives an annual
account of the realisation of the Program Budget.

organizational level		Planning		Report
Council <--> aldermen	Pre-budget report	program budget	interim report (TURAP)	annual account and report
civil executives <--> opera- tions		sector plan	Quarterly report	sector account

Table 3 Planning and report documents

The planning and control instruments listed are interrelated, often having a similar structure and layout, and are often similar in content. Concern Control, an organiza-
tional staff group, co-ordinates the production and setting of the Pre-Budget Report,
the Program Budget, the Interim Report, and the Annual Account. The production of
the Sector Plan, Quarterly report, and Sector Account is mainly done by those organ-
izational units directly involved in them.

The Program Budget is one of the central instruments in the yearly planning and con-
trol cycle of municipalities. With the agreement of the Council on the Program
Budget, the executive board is charged with realising the objectives, performances
(financial and non-financial) and actions that are laid down in it. The Program Budget
documents the municipal policies mainly in a summarized form. It often makes only
passing reference to various related policies, and aims to integrate the various poli-
cies into different programs.

Leeuwarden has recently started to use the Program Budget. The first Program Budget was for the budget year of 2004. The Program Budget 2005 was in concept comparable with the previous version, but encompassed several adjustments and developments. The Program Budget 2005 will be analyzed further.

The Program Budget 2005 defines sixteen programs, two of which are strictly financial in nature (the programs “General grants” and “Incidental expenditures”). The remaining fourteen programs are similarly structured. In all fourteen programs three questions are posed and answered. The questions are “What do we want to achieve?” (related to the objectives), “What are we going to do?” (related to the activities and non-financial performances), and “How much is it going to cost?” (related to financial performances).

Every program describes strategic goals, defined by general and main goals. The strategic goals aim to define the desired situation from a societal perspective, and do not define actions to be taken or cost to be incurred. Table 4 gives an example of the strategic goals for the “Housing” program.

Program “Housing”	
Strategic goals:	
<i>General goals:</i>	
A balanced, competitive housing market with sufficient supply of houses	
<i>Main goals:</i>	
<ul style="list-style-type: none"> • Sufficient supply of houses.... • A good living environment for specific target groups ... • Cautious use of space in urban zones • Multiple choice for buyers of houses 	

Table 4 Examples of strategic goals (source Program Budget 2005, p. 57/60)

The objectives of each program are described, and are made measurable by attaching one or more indicators to them. Indicators often have target values; series of measures to be attained in the coming years. Table 5 gives an example of the objectives and measures in the program “Housing”, as documented in the Program Budget 2005.

Objectives		2005	2006	2007	2008
A	New housing				
	<i>Indicator: average number of newly build houses</i>	480	520	520	520
B	Differentiation of sale vs. rental				
	<i>Indicator: Target differentiation 85:15</i>	437:43	442:78	442:78	442:78

Table 5 Objectives and measures (source Program Budget 2005, p. 57/60)

An overview of the current situation per program is given, and insights into the most relevant actual developments and expected consequences of each program are documented. References to important policies are also made. The planning of each program is made measurable by the documented desired performances. Table 6 gives an example of the planned performances of the “Housing” program.

Performances	2005	2006	2007	2008	2009	Effect
<i>Structural</i>						
• Project Zuiderburen	X	X	X	X	X	A/B/C/
• Project De Zuidlanden	X	X	X	X	X	E/F/H
<i>Incidental 2005</i>						A t/m H
Housing market policies and coordination						
• develop long term housing program,						
• coordination of and advice over ...housing programs						
• organizing information services						
• making governmental subsidies available						
• relation management						

Table 6 Performances (source: Program Budget 2005, p. 57/60)

Performances are often described in terms of processes to be followed combined with indications of the amount of work to be done (e.g. co-ordination of twenty housing programs). Performances mainly address the planned results or processes in general terms, and are often formulated in terms of “to perform, to restrict/ to promote”. Clusters of performances can relate to specific objectives, or can contribute to several different objectives.

Each program has its own financial budget. This financial budget refers to consolidated products⁴⁶, and documents the total costs and benefits. The financial budget of a program is defined by the total cost of per program-listed products.

The Program Budget also contains many additional summaries and appendices, such as:

- a current overview of the long term development program (MOP) and the medium-term capital spending program (MIP),
- several financial sections, with overviews on the development of cost, income, financial reserves, tariffs (of several local government taxes), treasury, and organizational processes (e.g. human resource management),
- appendices, which document in detail financial changes (increases, decreases, changes, and additions), for the products as well as the capital spending projects.

Every half year the executive board presents an Interim Report⁴⁷ to the Council. This Interim Report is mainly a variance analysis, only explaining significant financial vari-

⁴⁶ Called “policy product” or in Dutch “beleidsproducten”.

⁴⁷ In Dutch abbreviated to TURAP.

ances between year-end estimates and budgeted values. The Interim Report 2004⁴⁸ did not report on the (estimated) realisation of objectives and performances.

The main structure of the Interim Report is comparable with the Program Budget, but some remarkable differences in detail appear. For example, the financial variances are explained by general ledger groups (e.g. depreciation, interest, personnel cost, expenses) instead of using the program and product structure of the Program Budget. Only general expenses are explicitly explained per program.

The Interim Report also documents progress made in the special efficiency project, contains lists of new policies to be discussed, and specifies actual discussion points and risks.

It is through the presentation of the Annual Report to the Council that the executive board accounts for the execution of the Program Budget. The Annual Report 2004 consists of an annual statement of account and an annual report. The annual statement of account is set up to conform to central government mandated guidelines⁴⁹, and is mainly driven by the need to be financially accountable. The Annual Account has to be certified by external accountants. The Annual Report explains how the programs have been realized, using financial variances⁵⁰ as measures. Realised objectives and performances are often documented, but seldom analysed in detail. Table 7 gives an example of the way performances are documented.

Objectives		Account 2004	Budget 2004	variance
A	New housing			
	<i>Indicator: average number of new houses</i>	364	400	-36
B	Differentiation of sale vs. rental			
	<i>Indicator: Differentiation 85%:15%</i>	246:118	262:140	-14:-22

Table 7 Performances in the annual report (source: annual report 2004, p. 77)

Realised performances are in general terms evaluated (with a plus, plus/minus, or minus). A plus (+) is used as a sign of an on average positive performance, and is not illustrated further. Explanation and illustration of achieved performances only occurs when performances are not valued positively, using a plus/minus (+/-) or a minus (-). Performances are often process and project-related indicators, and consequently the evaluation of performances mainly relates to more operational aspects. The Annual Report 2004 documents evaluations of achieved yearly performances, and of expected developments in the coming period.

The Annual Report presents no financial details and the financial variance analysis is comparable with the approach of the Interim Report. The variances are explained by groups of general ledger accounts and per program. The variance analysis in the

⁴⁸ The 2005 Interim Report was not available during the field research.

⁴⁹ In Dutch "Besluit Begroting en Verantwoording" or BBV.

⁵⁰ Between year-end values and budgeted values.

Annual Account reports many more financial details. Here all relevant financial variances are explained. The Annual Account also documents and explains the financial year results and the balance sheet.

The Annual Report 2004 includes a general status report on the progress of the medium-term capital spending planning (documenting main variances between planning and actual progress on year end). The Annual Report 2004 has several sections attached to it, with detailed background information and reviews of several specific projects and developments in the reporting period. Additional information is also present in the minutes of the meeting where the Annual Report is presented to the Council. The written answers of the executive board⁵¹ document in much more detail some of the content and context of relevant political discussions.

In conclusion, a coherent system of planning and control instruments exists at the organizational level of the researched organization. Using a step by step approach the objectives and performances are incorporated into budgets and accounted for in reports. The main purpose of these instruments is to support the Council with the planning and evaluation of policies, objectives and performances.

The Program Budget can be regarded as a central instrument in this yearly cycle. The Program Budget provides the Council with a lot of information on objectives and performances, explains the relationships between objectives and performances, and provides financial information. As documented in the Program Budget, this instrument has only recently been developed and must be regarded as a work in progress. Areas for improvement have been announced, and in the near future some improvements will already have been addressed⁵². The municipality's aim is to synchronise the Program Budget with the information needs of the Council. To give an example of this aim, performances will be documented only when they are viewed as essential for the Council⁵³.

Budget control

Budget control, as officially laid down in Leeuwarden's documented internal control mechanism, relates formally to objectives, related performances, and available financial means. In practice budget control is mainly restricted to internal financial control. The internal budget guidelines mainly underline the importance of financial statements and the behavioural restrictions that are attached to budget responsibilities. Non-financial objectives and performances are not unimportant. They are present in every planning and control instrument, and top managers and controllers who were interviewed all stated the importance of realising objectives and performances. The detailed internal guidelines, however, mainly describe the rules for attaining financial obligations and spending or receiving money.

⁵¹ In Dutch: "Memorie van antwoord n.a.v. de behandeling van de Jaarstukken 2004".

⁵² Such as: improving the relationship between goals and objectives, improving the relationship between objectives and performances, making performances more "smart" (specific, measurable, realistic, and timely).

⁵³ Source Program budget 2005, p.6.

Financial budgets relate to both cost and income (for products) as well as to cash (for capital spending), and define the expected boundaries of financial control for any year. These budgets are mandates; the executive board gives responsibility to employees to use specific resources, but the board remains ultimately responsible for all the decisions that are taken.

Budget responsibilities are attached to several organizational levels. Operational managers (heads of teams and groups) are often responsible for the direct expenditure of limited amounts, which is laid down in detail. Heads of sectors are often the formal budget managers; they account for the realisation of the budget to top management. The budgets of sector managers are laid down in products⁵⁴, which relate mainly to aspects such as direct expenses, receiving grants, collecting taxes, deciding on social welfare. Rules of budget control not only relate to management control but also to internal control. A sector manager can be responsible for a budget of millions of euros, but is still obliged to ask his superior manager to sign for expenditures in excess of € 25,000,- for example.

Departmental directors are often responsible for budgets related to personnel. Departmental directors are responsible for the number of employees (in full-time equivalents), the financial budgets for employing personnel, and for budgets for temporary personnel. Directors are also accountable for budget control of lower level management to the executive board. The financial accountability of departmental directors is laid down in summary products⁵⁵.

Capital spending budgets are usually assigned to specific project managers, and also use rules of management and internal control. For example, the authority to decide on tender contracts often rests with departmental directors or members of the executive board.

In summary, the municipality applies a detailed budget system, with an emphasis on financial control. Financial control is executed using pre-defined rules and guidelines, relating to budgeting, delegation of decision rights, and internal controls. As a result, budget managers have to conform to several detailed instructions. A budget manager not only has to meet budgetary limits, but s/he is also restricted in her/his decisions on liabilities. This specific and detailed behavioural control system functions at all managerial levels in the organisation; from the lowest level of team manager to the executive board. At a higher organisational level, budgets are often composed by the aggregation of more detailed products. Financial overspending on one underlying product is therefore compensated by under spending on other products. This compensation principle is applied to capital spending budgets too. Projects can be clustered in groups, and managers can be assigned to account for the budgets of a group. At this group level managers only account for consolidated budgets, and detailed variances of underlying projects are for this reason less important.

However, budgets of non-consolidated products and projects cannot be adjusted easily. Strict and detailed rules must be followed for adjusting budgets, and higher

⁵⁴ in Dutch: “beheerproduct”.

⁵⁵ in Dutch: “beleidsproduct”.

level managers are always formally involved in the decision to adjust or reallocate budgets.

A financial survey of the municipality

An indication of the financial position of the municipality of Leeuwarden is documented in the Program Budget 2004. On page 189 the executive board stated “*Although we are not a wealthy municipality, this crisis is manageable*”. The context of this text is the year 2003, in which the city had to cope with some recent organizational developments, the national economic downturn, and the budget reductions imposed by central government. The municipal organization was going through turbulent times. Due to political tensions the mayor and an alderman had to step down from office about 18 months earlier, and at the same time organizational effectiveness was openly criticized by the Council in the local media. This turbulent period resulted in the start-up of several action plans⁵⁶.

During the making of the Program Budget 2004 most of these plans appear to have been achieved or to be in progress. In 2004 attention was shifting more to the financial situation of the municipality. The financial reserves were seen as sufficient, but the medium term forecasted budget could only balance after the addition of a restructuring program of around €5.6 million. This restructuring program demanded cost reductions in management and services (€2 million), in limiting the range of products and services to the public (€2.8 million), and an increase in tax income (€0.8 million). Compared to the total organizational budget of €342 million, these budget reductions seem to be of limited importance. However, related to the sum of local tax income of €32 million (the income that the city can generate on its own account), this restructuring can be qualified as significant (circa 18 percent).

The restructuring program is defined in line with the assumptions of the 2002-2006 Executive Program. Examples of these assumptions are:

- balanced medium term budgets,
- increase of municipal tax income, using real estate values for calculating tariffs, are limited by inflation factors and changes in the quantity of real estate,
- full cost recovery when service delivery to the public is charged with tariffs and prices,
- structural and incidental benchmarking with other municipal organisations.

The Program Budget 2005 indicates a sound financial position for the municipality. The financial reserves are strengthened (from € 3 million to € 10 million), and the restructuring program is on target and on budget. Even a budgetary capacity of €1 million is available for new initiatives. The total budget of the organization is circa €320 million. For more detail on this budget see Table 8.

⁵⁶ Such as a plan to improve managerial and service processes in the organization, to increase the focus on performances: to downsize the number of employees, and to stimulate the integration of policy making and policy achievement.

	million €	%
Depreciation and interest	35.0	11
Subsidies	122.5	38
Salary costs	67.5	21
Miscellaneous expenses	95.0	30
Total	320.0	

Table 8 Budget 2005

The budget for salary cost covers the cost of current and former personnel and politicians. The total personnel formation in 2005 is 1000 full time equivalents (fte). The different components of this formation are documented in Table 9.

	fte	%
Municipal council, executive board, registry	47.8	5
Concern staff	17.8	2
Welfare	204,4	20
City development and management	407,7	41
General affairs	253,6	25
Fire department	68,8	7
Total	1000,0	

Table 9 Number of employees 2005 (source: Program Budget 2005, p. 148)

The following sections will present the four case studies.

Welfare Payment case study

Firstly, the context in which social Welfare Payment works will be briefly examined. Subsequently, the most relevant planning and control instruments and their embedded objectives and performance measures will be described.

In order to gain an impression of the use of objectives and performance measures the opinions of politicians or managers on three different organizational levels were sought: the executive board, the director, and the operational manager. Finally, the points which emerged during the research into planning and control documents will be discussed.

Welfare Payment policies

One of the main tasks performed by the Council's welfare department is the granting of social welfare payment, which serves as a safety net for people who cannot support themselves financially. The policy framework for Welfare Payment is mainly determined by the national Work and Assistance Act, which in turn dictates much of the organizational set-up and activities in this field.

The Work and Assistance Act was introduced on 1 January 2004. To prepare for this Act at the local level, the municipal council of Leeuwarden adopted a long-term policy plan. This policy framework outlined the 2005-2009 period and distinguished between work and income. Because it is not easy to evaluate policies on work and income separately, these policies are included in the Council's program budgets as one program. They form part of a chain of internal and external municipal activities. The Work and Income program is of vital importance from a financial point of view. Not only because this program has been allocated the highest budget (approx. €100 million, compared with a total 2005 budget of €430 million), but also because this program constitutes a considerable financial risk (up to €5 million a year). This financial risk is chiefly attributable to the part of the program that relates to supplying income to citizens. It is also connected to any unexpected and unforeseen increase in the number of persons entitled to welfare payment and also to other developments with regard to relevant government grants.

One of the components of the Work and Income program is called Income Provision. It includes providing welfare payment, which is done by the Social Affairs Sector. Besides providing welfare payment, this sector also focuses its attention on limiting the number of people starting to claim payment. Its organizational structure is geared to the implementation of the Work and Assistance Act, which is carried out by a large proportion of the Social Affairs Sector, including a front office, various mid-offices and back offices, and a management office. The total number of staff in this sector is equivalent to approximately 140 fte⁵⁷.

⁵⁷ Fte stands for full time equivalents.

Over recent years the operational tasks and the working environment of the Social Affairs Sector have changed continuously. In the words of an employee “*There is always something going on around here*”. Both internal and external initiatives have contributed to this process of continuous change. Examples of internal drivers of change are: the restructuring of work processes⁵⁸, the introduction of a new process information system, the impact of an organizational development program on the sector, and the increased attention to internal control⁵⁹. The sector has also had to respond to external influences, such as: the foundation of the Centre for Work and Income (CWI) and the introduction of the Work and Assistance Act. Both have had a significant impact on the tasks performed in the sector, on the coordination processes between the Social Affairs Sector and the rest of the municipal’s organization, and on the municipal’s role in the work and assistance related chain of activities. Another consequence of the Work and Assistance Act was the decentralization of responsibilities from central to local government, including some material financial risks that are attached to the provision of income for welfare purposes.

Planning- and control documents

Objectives, desired effects and performance measures relating to Welfare Payment are set out in several planning and control documents, such as the Program Budget 2004 and 2005, the Sector Plan 2004 and 2005, the Annual report 2004 and the Quarterly Report of 2005.

The Work and Income program in the Program Budget 2004 includes aims that are directly related to Welfare Payment. The Income Provision section, for example, contains a description of the target for a reduction in the number of people who are dependent on Welfare Payment. The aim is to prevent financial deficits by matching the estimated Welfare Payments with the known contributions to be received from central government. The budget sets out targets for income (€58.4 million) and expenditure (€68 million), outlines developments and financial risks that are expected and are considered relevant, and lists a number of performance requirements. The deficit of income and expenditures (circa €9 million) is covered by other municipal incomes. The actual or budgeted number of persons dependant on welfare is not documented in the Program Budget 2004 as an objective, but is included in explanatory texts or is documented in attachments.

The performance requirements of the Social Affairs Sector are expressed in operational terms. They are described in terms of future activities, including the number of activities to be conducted, e.g.

- the number of new payment applications to be dealt with (2500),
- the number of current payments to be provided (4000),

⁵⁸ such as: abandoning the city district structure and introducing a city wide customer oriented approach, resulting, amongst other, in a more pronounced allocation of authority between the sectors responsible for Work and Income.

⁵⁹ as a response to incidental cases of fraud.

- the number of debtors (2300) and accounts receivable (3000) to be managed, and
- the handling of welfare frauds (750).

The Interim Report that was presented to the Council halfway through the year 2004 does not mention any expectation that the budget for Welfare Payment will not be complied with, financially speaking.

The Annual report 2004, which was adopted in April 2005, is a complete overview showing the extent to which the budget was met. It explains developments with regard to the number of persons entitled to welfare payment and it also outlines the financial results. The overview of the number of people shows an increase of 5.6 percent in 2004. This non-financial result is compared with a comparable average national percentage of 10.4 percent. Analysis on variances on annual report versus Program Budget, or on national versus local developments is hardly documented.

Financial results are outlined. These show that additional government grants resulted in a credit balance for Income Provision. It should be noted that the annual statement of accounts is based on the adjusted 2004 budget. During that year the estimated income (€56 million) and expenditure (€65.5 million) were both adjusted downwards by approx. 2 million euros. These budget amendments were not explained in the Interim Report or in the 2004 annual statement of accounts. They were presented to the Council in budget amendment resolutions.

The Annual Report contains broad assessments of the realization of estimated performance (i.e. good, mediocre, poor), but does not include any further explanation.

The Program Budget 2005 is different from the previous program budgets in various ways. In the Income Provision section, for example, the objective (in desired effect) is quantified using an estimated increase in the number of welfare payment clients. In the budget, the zero measurement for this indicator is 4350 persons entitled to welfare payment and the desired maximum value of the 2005 increase is set at 6% (see Table 10).

Objectives Welfare Payment	Reference	2005	2006	2007	2008
D Increase in number of Welfare Payment clients	4.350	6%	3%	1%	
<i>Indicator: Increase in number of clients</i>					

Table 10 Objectives of Welfare Payment 2005 (source: Program Budget 2005, p. 52)

With regards to financial frameworks for Income Provision, the budget also outlines financial risks to which the municipality might be exposed, e.g. expected developments with regard to government grants. Total 2005 costs of Welfare Payment are budgeted at €68 million, income (grants) at €59 million, resulting in a deficit of circa €9 million (see Table 11). This deficit is comparable with the 2004 budget, and is compensated by other income.

2005 (*€1000)	cost	income	results
Labor market and social integration	27.819	-23.734	4.086
Welfare Payment	68.136	-59.175	8.691
Poverty reduction	4.565	-0.229	4.336
Childcare	0.367	0.00	0.367
<i>Total</i>	<i>100.886</i>	<i>-83.459</i>	<i>17.749</i>

Table 11 Costs Work and income program (source: Program Budget 2005, p. 55)

The list of performance requirements (in terms of operational activities to be conducted) is largely comparable to the list mentioned in the previous budget. Examples from this list are:

- number of new welfare requests (2.500),
- handling of concurrent clients (4.500),
- timely, error free, and legal justified payments,
- debit control on (formal) clients (5.600),
- processing of fraud reports (750) and fraud records (95),
- performing a single audit.

In the Social Affairs Sector Plan for a particular year, ambitions from the Program Budget are translated into tasks to be performed by the sector in that year. As far as Income Provision is concerned, the Sector Plan 2004 contains a lot of performance requirements that are expressed in general terms, such as promoting client participation, developing new policies and regulations. The Sector Plan 2004 also describes action points relating to management, i.e. performance interviews, sickness absence, mobility and job vacancies, education and training, and the like. In addition, the plan sets out applicable financial budgets, reports, administrative and organizational points for attention, and also pinpoints consultation opportunities.

The Sector Plan 2005 can be seen as a further elaboration of the Sector Plan 2004. It is strongly emphasized that team leaders should be involved. Relating to the handling of 2,500 new welfare requests, for example, several activities are described in more detail (intake, research, reporting, auditing, assigning, administration and archiving). In addition, the Sector Plan contains a lot of technical definitions, such as descriptions of measurement instruments that will be used to measure effects and indicators⁶⁰. The Sector Plan makes no mention of objectives (desired effects) for 2005, and consequently no related performance requirements are translated for the sector. The causal relationship between objectives and performance requirements is not specified in more detail in the Sector Plan.

Furthermore, the Sector Plan includes a description of performance relating to client orientation and quality of services, and contains additional information on various

⁶⁰ for example, the indicator "increase in number of clients" is defined by: the source of information (the name of the information system), the frequency of reporting, the organizational level of reporting (sector), and the work list of actions (adjusting the report format).

aspects of management. The Sector Plan also contains an outline of relevant capital spending projects, a risk section, and a list of various reports that have to be compiled throughout the year. These are drawn up for the management, the municipal executive board, the Council members, several ministries, the Agency for the Reception of Asylum Seekers, the Central Bureau of Statistics, and other sectors.

The Quarterly Report for the first three months of 2005 outlines to what extent the desired effects, based on the Program Budget 2005, and the desired performance based on the Sector Plan 2005, have been realized. This Quarterly report is based on the Sector Plan. The report contains quantitative information to clarify the realization of aims as well as to explain the sector's performance. Team leaders as well as the sector manager use the Quarterly Report as an instrument for rendering account, namely to the sector manager and the department manager respectively.

The Quarterly Reports mainly report on the current situation in the sector, but present no analysis of the current developments. Unfavourable developments in the number of clients, for example, are accounted for, but the possible consequences of this increase on the financial budget or the internal processes are not explained. Financial budgets are accounted for at a consolidated budget level, but provide no insight into the budget use of underlying products.

Use of objectives and performance measures

The use of objectives and performance measures is analyzed in two ways. An impression of their use is documented on three different organizational levels (aldermen, civil director, and operational manager). The most relevant aspects arising from this analysis are discussed.

Aldermen

The Alderman found objective setting and performance measurement important. Upon request, the essence of the current organizational objectives could be recalled (the development in the number of persons entitled to welfare payment) but he could not quote the objective in precise terms (maximum increase of 6 percent in 2005). Also the performance measurements were explained during the interview (such as the importance of a timely and accurate process of handling new payment applications and fraud charges).

The alderman perceived objectives relating to Welfare Payment as reasonably clear, for both himself and the managers concerned. As he expressed it: *"they can be put to good use"*.

The alderman said that he was kept up to speed about various important operational and process issues within Welfare Payment through a two-weekly meeting with operational level managers. The alderman seemed to see objectives as aims or estimations. Apparently, the scope for policymaking left by legislation (an effect of legislation) and political discussions determined what objectives would be used. In his own words: *"The Council can set objectives only to the extent that the law enables it to choose different policies"*.

The alderman indicated that the perception of the objectives was less clear to the elected members of the Council, this notwithstanding the financial importance of Welfare Payment⁶¹. He explained that the Council discussed financial and non-financial objectives in different Council committees. The non-financial objectives, being more relevant to the political and social issues of Welfare Payment⁶², were discussed in the Welfare committee of the Council several times. The financial aspects of Welfare were assessed in the regular annual planning and control documents, such as the Program Budget and the Interim Report. This process sometimes led to a somewhat disconnected discussion of financial and non-financial objectives, in the sense that financial implications of change on non-financial objectives were not always made apparent. The alderman illustrated this point with an example. The Council's policy on Welfare was reductive: the number of subsidized jobs was to be downsized and special welfare minimized. As a result of this restrictive policy, people were losing their subsidized jobs and becoming entitled to welfare. This was thus counterproduc-

⁶¹ The financial budget of Welfare payment consumed in 2005 circa 65 percent of the Work and Income program budget, and made up 20 percent of the total cost of the council.

⁶² Examples of political issues were, amongst other, the provision of special welfare and of by the council subsidized jobs.

tive in terms of achieving Welfare Payment's objective of minimizing the increase in welfare payment.

The alderman underlined the uncertainty about central government's financial contribution to local welfare payment. Downwards adjustments of these financial contributions did not only cause financial problems but also led to the idea of adjustment of social and political policies. Discussing financial and non-financial implications in different Council committees resulted in a diminished clarity of objectives for most of the Council members.

Desk research gave additional insights into the use of this information by the elected members of the Council. The Welfare committee received two reports per year (named "monitor WBB"), which account for progress in the past period in detail. The committee also received copies of special reports made to inform central government of the implementation of the Work and Assistance Act. These reports reported on the progress of non-financial performances, for example on the actual development of: unemployment, available jobs, reintegration processes, subsidized jobs, poverty, and fraud. Information on financial performances was not included.

All elected Council members received reports on financial progress. These financial reports form part of the Program Budget and the Annual Report, and contain limited detail on the financial situation of Welfare Payment. For example, the Program Budget 2005 announced an expected financial deficit of € 9 million, but did not explain in simple terms how this deficit was caused or covered. The Annual Report only documented a higher than expected financial contribution by central government, and a donation to financial reserve accounts due to a surplus on Welfare, but gave little explanation of the reasons for this. Only financial surpluses or deficits were to some extent documented.

The Council's interest in variances rather than total budgets was also observed in relation to non-financial objectives. Planning and control documents highlighted two main groups of non-financial objectives: results-oriented objectives (for the number of people entitled to welfare), and process-oriented objectives (amongst others for controlling the legitimacy of welfare payment). The results-oriented objectives appeared to be used inconsistently.

The Program Budget 2004 and the corresponding Annual Report 2004, and the Program Budget 2005 and the corresponding Sector Plan 2005 and Quarterly Report 2005, used different numbers to compute the results-oriented objective, but appeared to be consistent as regards the expected change of objectives⁶³. This underlined the notion of the Council's main interest being in objectives changes, and its lesser focus on the actual results.

The Council was also informed about process-related objectives and performances, such as achievements in compliance with legally set transaction terms, or a compari-

⁶³ For example, the Program Budget 2005 objective on Welfare payment was a maximum increase of 6 percent, and referred to 4350 persons, resulting in a maximum of 4611 persons ($1.06 * 4350$) on year-end 2005. This Program Budget contained explanatory text, mentioning a reference number of 4500 persons and a year-end number of 4800. The quarterly Report 2005-I however mentioned a reference number of 4250 and a 2005 yearend objective of 4509 ($1.06 * 4250$).

son of the effectiveness of operations between comparable cities (by participation in inter-organizational benchmarking projects). Unfavorable changes in performance, for example an increase in the number of appeals granted to citizens on Council decisions, were used to critically question the organization.

The alderman indicated that it is not easy to set objectives in relation to the Work and Assistance Act. He stressed that the Council can hardly influence employment and unemployment trends. The interviewee stressed the importance of the active application of the economic policies of the Council, but added that the Council had scant economic influence on the decisions of large businesses operating nationally and internationally. The Council's influence on trends in Welfare Payment was therefore seen as limited. The total number of people entitled to welfare was also explained from a more historic perspective. In the recent past the Council was faced by relatively high levels of unemployment. This level now conformed somewhat more closely to national employments statistics. Although in the last 10 years this high level of unemployment had decreased considerably, it still remained high compared to the average national unemployment rates.

The alderman explained the use of these types of objectives and statistics by politicians. He explained that objectives can be used in different ways. In his own words: *"If objectives are not achieved, the objectives were too ambitious, if the objectives are achieved, the Council performs excellently"*.

He expressed the opinion that politicians did not use objectives and performances in order to prioritize. Priorities were mainly driven by actual developments.

Despite the limited role objectives played at this political level, clear objectives were considered to be important. Clear objectives were considered a good means of improving communication.

The alderman added: *"objectives can lodge themselves in the Council's collective memory"*.

Civil Director

The next level at which the use of objectives and performance measures was discussed was that of the civil director, who is a professional manager. The civil director stated that objective setting and achievement and performance measurement for the Welfare Payment area were seen as important in controlling the organization. They were seen to be supportive of the Council's targets, by detailing specific tasks that needed to be carried out. She stated that this process not only supported the collection of specific information (such as information needed for adjusting policies or informing politicians), but also made actual trends visible and analyzable. The use of a performance indicator for the percentage of youngsters dependent on welfare was used as an example. This performance indicator was used to analyze whether the process of reintegration was working as expected, or whether other aspects influenced the trend.

According to the director, these trends provided insight into the effectiveness of achieving organizational objectives. She illustrated the use of these trends. The

trends were discussed in regularly held departmental management meetings of the director and sector heads. The agenda for these meetings often included progress on performances, and discussions on more organizational process related performances (related to, for example, sickness leave, work load, case load of employees). The focus in these meetings was on factors that could be influenced by the department, and often included current developments in both the Social Affairs Sector and the Work and Income Sector. The sector managers used detailed information on current developments to be able to quickly identify signs of developments that required them to take supplementary measures. According to the director, objectives and performances are not used for prioritizing operational tasks: priorities in operations were more mandated by actual developments than by pre-set objectives.

The director stressed that the municipal organization cannot control the entire process of achieving the objectives of Welfare Payment. It was argued that the Council cannot set objectives for which it is solely responsible because, in the Netherlands, several parties are jointly responsible for Welfare Payment. She stressed that the municipality was doing its utmost to steer the parties involved (the chain partners) in the right direction. But if its efforts did not have the desired effect, the municipality would have to bear the financial risks and take the consequences of the policies pursued. The director considered the recently announced reduction in central government's financial support for local welfare as a strong motivator for the effective coordination of the parties involved.

The relationship between uncertain financial support by central government and achievement of the Council's objectives was also mentioned by the director. However, she mainly emphasized the practical operational consequences of this uncertainty, and did not comment much on the possible conflicting political pressures exerted on the objectives. She used the supply of subsidized jobs as an example, and explained that the relationship between a decrease in the number of subsidized jobs and an increase in people entitled to welfare payment was recognized. Her approach was to search for practical solutions, and to find additional financial means within existing agreements with central government to increase the number of subsidized jobs.

Operational manager

At the lowest level researched two managers were interviewed. The interviewees also thought that objectives and performance measures relating to Welfare Payment were sufficiently specific. They could not, however, quote the exact formulation of the 2005 objective as documented in the Program Budget 2005. Welfare Payment was seen as an open-ended scheme, mainly influenced by the increase or decrease in the number of Welfare Payment clients. The objective of a 6 percent maximum increase was not seen as the main objective for the sector. In the words of a sector manager, the main objective was formulated in terms of: "*as many people as possible back to work*". He explained that operational objectives were mainly focused on the process effectiveness within the sector. He added that he did not get much support from organizational objectives and performance requirements when setting pri-

orities in his sector. Moreover, the interviewee was not sure about the feasibility of the financial objectives.

The uncertainty about financial support from central government was also pinpointed by operational managers, but a pragmatic approach was demonstrated. Operational managers argued that it was their task to optimize operations within available financial and non-financial means. In the words of a sector manager: *“To make Welfare Payment policies more effective demands much creativity from the professional managers, but sometimes results in political disputes between elected members of the Council”*.

The interviewees stressed the importance of specific performance measures. They saw them easing the making of clear agreements with external parties⁶⁴ and for supporting the sector with relevant process information. The manager of the Work and Income sector explained that process control, standardization, and computerization were becoming increasingly important, and the development of monthly progress reports was seen as one of the central instruments of control.

Desk research found evidence of this increase in the emphasis on process control within the sector. Previous Sector Plans and Quarterly Reports documented an increase in the description of processes and related performance indicators. For example, very few performance reports were made in 2004, but Quarterly Reports were standard in 2005. To illustrate, some performance information from the Quarterly Reports 2005 is documented below:

- the monthly trend in the number of terminated Welfare Payments, and the comparison of this development to the budget,
- the trend in the percentage of youngsters on welfare to the budget,
- the monthly trend in the number of welfare payment clients compared to the budget target,
- financial year-end forecast,
- workload and sick leave of employees.

Aspects of budget use

The previously described opinions of the alderman, the director, and the operational managers will be used here to analyze relevant aspects against the research framework. The main level of analysis is organizational, with its focus on the use of objectives and performance measures at the top of the organization. The research framework and its defined aspects will be the focus of the analysis, but if applicable, other aspects are also included.

The evidence is presented in a summarized form and analyzed and interpreted by the researcher with reference to desk research and interviews where suitable. Personal impressions and opinions could play a part in the interpretation of the case study findings.

⁶⁴ such as the Center of Employment and Income, in Dutch “CWI”.

Design and quality of the accounting information system

The municipality's accounting information system yields both financial and non-financial information. The financial information relates in particular to the products and investments of the municipality, such as the costs and income of products and the income and expenses of investment projects.

Financial objectives and performances are documented in all planning and control documents. The Program Budget 2005 for example, contains summarized versions of budgeted costs and income for all programs and related products, medium-term investment planning, and summaries of several additional sources of income. More financial detail is available at an operational level. Sector Plans for example, contain budgeted costs and income in detail, and the Quarterly Report 2005 contains detailed variance analyzes (analyzing the variances between actual and budgeted values). Annual Report and Accounts of both the municipality and the sector contain detailed financial information, and present detailed analysis of variations between achieved and budgeted values.

In addition, the accounting information system provides a lot of information about non-financial objectives and performances. Information about non-financial main objectives is primarily present in the more strategically-oriented planning documents, such as the medium-term policy plan "Expedition Work" and the Program Budget. Non-financial performances are often documented in the operational documents. Quarterly Reports in particular contain many non-financial performance measures, and provide insights into current developments and trends. This information is mainly used for process control. Examples of detailed reports are the Quarterly Reports 2005 of the Social Affairs sector. These reports contain many performance measures, such as the actual and the budgeted number of terminated welfare payments, the number of youngsters on welfare, and the number of payments made for special welfare.

Interviews indicated differences in the perceived quality of accounting information at different organizational levels. At the top of the organization the quality is perceived as lower than at operational level. The information provided to politicians and top managers does not appear to meet the requirements sufficiently, and additional information is often requested. This additional information is provided, but not always in time. The quality of information is seen as higher at the more operational level, and is also often provided on request. Operational managers are aiming to develop standard reports that will better fulfill their information requirements. They would value the information provided if it was sufficient, accurate, on time and up-to-date. Accounting information is produced at an operational level. The sources of operational accounting information are the sectors themselves, and the main drivers for the development of operational accounting information are the sector managers. Complying with a sector's own information requirements seems therefore a simpler task than complying with the requirements of others. At an operational level, the interviewees focus on a scorecard with a limited number of indicators that is used to manage their

own sectors and is also used during progress meetings with the director and the municipal executive.

To conclude, the accounting information system in Welfare Payments contains both financial and non-financial information. This information is detailed, and includes budgeted values, achievements on budgets, and additional information. The observations are tentatively quantified into a score⁶⁵. The scope of the accounting information system for Welfare Payment is valued by the researcher. Using a 5-point scale, the scope is labeled as “above average”⁶⁶. The quality of the accounting information is valued in the same tentative way as the scope, and is labeled as “above average”⁶⁷.

Applied role

The interviews gave a view of the different ways in which accounting information is used in practice; they gave an insight into the roles of performance measures. This study has defined five different sub-roles or functions by which archetypal roles of performance measures can be recognized⁶⁸. These five functions and the related archetypal role (indicated between brackets) are:

- to diagnose, to compare actual and budgeted performance (answering role),
- to learn and to change ways of doing (learning role),
- unequivocally signaling of what is important (learning role, ammunition role),
- influencing future budget increase (ammunition role),
- to report and explain on past performance (rationalization role).

Firstly, the results of the interviews and desk research are now used to assess whether the use of performance measures is for diagnostic reasons, that is, for comparing financial and non-financial variances in performances.

Budget information is increasingly used to report on the progress of Welfare Payment's performance targets. The Quarterly Reports in 2004 and 2005 contained in-

⁶⁵ Aiming to make these observations somewhat comparable through the four case studies, these observations are represented by a score. This score expresses the observations in a simple and summarized form, and reflects the researcher's personal perception on this subject. This score is to be regarded as a subjective, qualitative and aggregated measure. The limitations of this impressionistic approach are recognized. Yet they are presented here as additional information, which might give an opportunity to aggregated embedded case findings, and present an overall and condensed measure at the main level of analysis. This score is not to be seen as a substitute for the other case observations; it is merely offering an additional label that can be used in further analyzes.

⁶⁶ Measurement of the scope of the accounting information system is based on interpretation of all relevant documents, which are included in the desk research (for a list of documents included see the appendix). The scope is determined by using a 5-point scale, ranging from small (only financial budget information related to the current budget period) via average (both financial and non-financial budget information related to the current budget period) to broad (both financial and non-financial budget information on the current and future budget period and additional information). The range between small and average is addressed as below average, and between average and broad as above average.

⁶⁷ Measurement of the perceived quality of accounting information is based on the remarks of interviewees and on the answers to the set of close questions (based on the EUCS-test of Doll and Torzadeh, 1988) collected during the interviews. The perceived quality is interpreted by using a 5-points scale, ranging from 1 as low, 3 as average, to 5 as high.

⁶⁸ For more detail on the theoretical definition of the roles and their function see chapter 2, A Theoretical Research Framework.

creasingly detailed performance information on the actual status of the sector, and reported on both financial and non-financial performances.

The use of these reports for diagnostic reasons appeared to be limited. The sector reports did contain variance analyses (based on a variance between actual or expected values and budgeted values), but contained mostly trends of actual achieved financial and non-financial performances.

The financial budgets appeared to function more as a frame of reference than as achievable results. Financial budgets were adjusted during the budget period, but in order to adjust budgets managers must act according to detailed and explicitly stated budget rules. These budget rules relate, amongst other things, to timely and formal announcement of desirable budget changes to superiors and to necessary justification for these adjustments. Financial control by top managers and politicians is mainly applied at a general level using highly consolidated figures (program level) and does not often reveal specific developments in Welfare Payment.

Secondly, the use of performance measures for learning, signaling and influencing future budgets is assessed.

Evidence of the use of performance measures in budgets, sector plans, and performance reports for signaling is clearly found. The documents mentioned contain information that underlines the importance of specific performances, which is used for control activities. Examples of information included are:

- organizational objectives in the Program Budget and in the Sector Plan on the maximum increase in Welfare Payment clients,
- charts in the Quarterly Report, displaying the actual progress on the number of Welfare Payment clients,
- addressing specific activities in the Program Budget and Sector Plan, such as the performance of a single audit,
- the large amount of process-related performance measures in the Program Budget, Sector Plan, and quarterly Report

Support for this signaling function is found in the interviews. For example, people involved see objectives and performances as important signals for underlining specific aspects of policies that require considerable attention. Operational managers also indicate that the use of process-related performances helps them to emphasize the importance of well-performed operational processes. The presence of several detailed process overviews in the Quarterly Reports is seen as supporting this tentative conclusion⁶⁹. Managers say that this type of information helps them to make current trends more visible, and to make the consequences of operational processes more objective. They use process-related performances to inform people outside the sector about important developments, and as motivators for decisions about operational process changes. Trends in the development of the number of Welfare Payment clients for example, are being used to coordinate the process between the municipal

⁶⁹ For example: composition of the group of people for whom Welfare Payment is ended, number of provided payments, number of formal objections lodged on the municipality, case load, workload and sickness leave of employees.

organization and external chain partners (such as the CWI and the reintegration offices). In these meetings these trends are used as indicators for the effectiveness of the Welfare Payment process.

Actual status reports of non-financial performances are also used to inform politicians and top managers about the estimated effects on the future financial position of the organization. The trend in the number of Welfare Payment clients, for example, is used to justify whether a change in policies on subsidized jobs should be considered in the near future. Anticipated changes in financial support by central government for Welfare Payment is also used to underline the importance of a balanced municipal budget to Council members, local press, and local and national politicians.

Thirdly, a brief assessment of the use of performance measures for reporting and explaining past performances is presented here.

Performance measures are regularly used to inform various users, such as the Council, citizens, local businesses, and governance bodies. The municipality even produces specially made reports on this subject, the so-called “Monitor work and income”. This report is prepared twice a year, and is a comprehensive overview of past developments, such as: local employment, number of welfare payments, and number of jobs. These reports contain much information for internal use, but are also written for a general audience, and special attention is given to readability and the presentation of texts and data. Structure, content, and lay-out of this Monitor differs significantly from internal reports.

To conclude, all five functions related to the archetypal roles are observed, but to different extents.

- Performance measures are only partly used for diagnostic reasons. Only financial performances are used in a diagnostic way, and only on highly aggregated budgets. Performance measures are often used in budgets, operational planning (in Program Budget and Sector Plan) and as status reports (in Quarterly Reports and Annual Reports), and in special purpose reports.
- Performance measures are used to learn. Trends in performance developments are used to discuss possible changes to operational processes and to future operational performances.
- Performance measures are used to signal unequivocally on important issues. Three reasons are identified: to emphasize important issues, to coordinate and to adjust the chain of welfare-related processes.
- Performance measures are clearly used to influence next period budgets.
- Performance measures are used to report on, explain, and account for past performances to external parties.

Businesslike and political context

As previously discussed, a more businesslike context is associated with:

- specific organizational objectives,
- relatively tight budgetary control (low tolerance for intermediate budget variances, detailed analysis of budget variances, intensive communication about budgets, emphasis on meeting the budget),
- integration of strategic objectives and operational performances (formal organizational planning is coupled with operational control).

A more political control context is especially associated with a high level of multiplicity on objectives.

The aspects relating to the two contexts are discussed in detail in the next section.

Specificity and integration of objectives

Specificity of objectives is measured by including three different aspects: the clarity of the objectives for the interviewed person and for other people involved, and the clarity of the priority of the objectives for the person interviewed (Hartmann, 1997).

In summary, interviewees perceive the objectives of Welfare Payment as sufficiently clear. As discussed previously, there exist slight differences between interviewees, but objectives and performances are regarded as clear and measurable. Interviewees perceive objectives and performance measures as clearly coupled; objectives and performance measures sufficiently explain actions that should be undertaken and performances are in general perceived as relevant.

The findings from the interviews and from desk research, however, are less clear on the relationship between objectives and performances. It is often largely unclear whether objectives are achieved when performances are met⁷⁰.

Interviewees generally said that objectives and performance measures were not used to prioritize operational activities. The prioritization of activities appears to be more dependent on actual circumstances.

Additional desk research illustrates that objectives and performances can also be seen at an organizational and operational level. Objectives and performances named in the Program Budget are incorporated in the Sector Plan, and are part of the progress reports prepared at all organizational levels. All interviewees also referred to a comparable set of objectives and performances. Organizational objectives and operational performances therefore could be regarded as coupled.

Multiplicity of objectives

Multiplicity of objectives is an indication of the presence of multiple, conflicting pressures on organizational objectives by different groups (stakeholders).

⁷⁰ To illustrate this remark: many performance measures relate to operational norms, such as the number of new welfare requests (2.500) or handling of concurrent clients (4.500). It is however not clear if increases or decreases of these norms relate to the achievement of the strategic objective (maximum of 6 percent increase of Welfare Payment clients).

The Welfare Payment case study clearly shows the presence of different views and opinions about organizational objectives. All interviewees described at least three different groups of people that have influence over setting and achieving organizational objectives. These groups are: central government (setting legal rules and determining financial contributions to local welfare costs), the elected Council members (restrictive policies on subsidized jobs and special welfare), and management (decisions on operational processes that can influence the effectiveness of the process). The formal authority of the Council is not questioned (managers act according to the Council's decisions), but there is a continuous discussion between politicians, aldermen, and the civil servants on the policies that can contribute to minimizing the number of welfare payments and the financial risks.

Tightness of budgetary control

Field research shows that the importance of budgetary control is two-fold.

On the one hand, politicians stress the importance of budgets, and especially of financial budgets. Overspending on budgets for which the alderman is accountable to the Council (programs and high aggregated products) is regarded as highly undesirable. Reporting financial progress to the Council (Interim Reports and the Annual Account and Report) is perceived by aldermen to be important, and significant effort is directed both to the preparation and to the discussion of these reports. The Interim Report focuses mainly on financial variances; if no financial surplus or deficit occurs, no comment is documented in the report. Variances in non-financial performances are not used as reasons for progress reporting to the Council.

On the other hand, financial budgets are adjusted. Managers are allowed to propose budget adjustment⁷¹, but within strictly defined rules. Only when budget changes influence the high aggregated budgets for which aldermen are accountable, is the Council involved in the process. Central in this budget adjustment process is the timing and the explanation. Managers with budget responsibility must inform superiors in time (as soon as can be reasonably expected) and must justify budget changes with valid reasons. According to all interviewees, validity relates to uncontrollability. If a responsible manager cannot be held responsible for specific budget influences, in other words when s/he can not significantly control this influence, the justification for budget changes is generally regarded as valid. A consequence of this line of reasoning is that influences outside managers' control on budget are considered as less important by them. Actually, conforming to budget rules appears to be more important than meeting the budget. A clear example of this mechanism is the budget for the financial contribution to Welfare Payment made by central government. It is remarkable that significant budget adjustments, such as the downwards adjustment of €2 million in costs and income in 2004, are often only documented in special Council memo's and in the Annual Account and Report, and are not explained in Interim Reports.

⁷¹ For example, allocate funds between related budgets or request for additional budget.

Another aspect of this mechanism is that formal decisions on budget adjustment by the Council are often handled in a separate decision-making process, which is often discussed separately from the generic planning and control instruments. Decisions on budget adjustments are often part of decisions on specific policies or issues. Budgeted performances are then just one of the factors the Council has to decide on. From a budgetary control point of view, these budget adjustments appear to be of less importance.

Non-financial performances are also perceived as important. Objectives and performances are absorbed in Program Budgets, Sector Plans, and Interim Reports. Emphasis on meeting the non-financial performance budgets appears to be in line with the average; status reports on non-financial performance are frequently produced, and changes in achieved performances are closely watched and discussed throughout the organization at all organizational levels. Variances between actual and budgeted performances are, however, less frequently discussed, at least not in the researched years. These performance measures can relate to the number of welfare payments, but also to legal terms that must be applied⁷². The sector has an internal control system for monitoring these terms. A number of those non-financial performances are also part of an inter-governmental benchmark. This benchmark compares the Welfare Payment performances of several local governmental organizations. Relatively negative scores in the benchmark, and consequently unfavorable positions in the benchmark, result in special attention to the specifically named performance by alderman and elected Council members.

Interviewees indicated that in general, during budget reviews by superiors, interim budget variances on both financial and non-financial performances were to a large extent tolerated. Detailed information on the development of actual non-financial performances was, however, discussed intensely at all organizational levels. For example, the number and composition of persons entering and leaving the welfare payment system is closely monitored, reported, and discussed monthly. At an operational level the frequency is high (every two weeks), at organizational level the frequency is low (twice a year). Only when unexpected events occur (such as an announcement by central government to decrease financial support for welfare), are discussions held more frequently. Progress reviews between aldermen and management are rarely concerned with financial budget variances. This regardless of the importance that both politicians and top managers attach to budgetary control.

To conclude, tightness of budgetary control is qualified as average, which can be prompted by these four aspects:

- Intolerance of interim budget variances appears to be limited; managers and aldermen perceive interim budget variations as limited important.
- Detailed budget-item follow ups appeared to be average.
- Intensity of budget related discussion is average (monthly), mainly on the development of actual non-financial operational performances.

⁷² For example, the time frame in which the municipality must decide on a welfare payment request.

- Emphasis on meeting budget targets is considered as average. Emphasis is high at the top of the organization, but mainly for highly aggregated financial budgets. Emphasis on meeting budget targets appears to be lower at a more operational level, especially when adjustments do not influence the highly aggregated budgets.

Measuring the political and businesslike context

In order to characterize the control context of Welfare Payment, the above documented findings on the different aspects are combined. Combinations of aspects function as indicators for the presence of a specific control context.

Aiming to qualify the findings, the findings are interpreted by the researcher and labeled in a simple score⁷³.

Specificity of objectives of Welfare Payment is perceived as above average⁷⁴. This measure shows that objectives are sufficiently clear, relevant, and integrated for the interviewees, but are not being used for prioritizing decisions.

Multiplicity of objectives is valued as above average⁷⁵. Conflicting pressures on objectives by central government, the elected Council members, and operational management are recognized as relevant factors.

Tightness of budgetary control is valued as average⁷⁶. Combining these factors, the control context of Welfare Payment appears to have both a more businesslike and a political classification.

⁷³ This tentative approach to the labeling of findings with a qualitative measure is comparable with the measurement of the use of BPM as documented in the previous section.

⁷⁴ Measurement of the specificity of objectives is based on interpretations of the interview reports and of the desk research (for a list of documents included see the appendix) by the researcher. Specificity is measured by using a 5-point scale, ranging from low (all related factors are valued as low) via average (some of the related factors are seen as relevant and some are interpreted as not or hardly contributing to a high level of specificity) to high level of specificity (all related factors contribute significantly to the perception of specific objectives).

⁷⁵ Measurement of the multiplicity of objectives is based on interpretations of the interview reports by the researcher. Multiplicity is measured by using a 5-point scale, ranging from low (no clear conflicting pressures of different stakeholders on the objectives and performances) via average to high (significant conflicting pressures of different stakeholders on the objectives and performances).

⁷⁶ Measurement of the tightness of budgetary control is based on interpretations of the interview reports and of the desk research by the researcher. Tightness is measured by using a 5-point scale, ranging from a low level or loose budgetary control (tolerance for intermediate budget variances is seen as high, detail analysis of budget variances is not applied, no intensive communication about budgets, no clear emphasis on meeting the budget) via an average level of budgetary control (some of the related factors are seen as relevant and some are interpreted as not or hardly contributing to a tight budgetary control, measurement is not based on a mathematic weighted average of related values, but on personal interpretation) to a high level or tight budgetary control (all related factors contribute significantly to the perception of budgetary control).

Routineness of tasks

The operational tasks of Welfare Payment are described by all interviewees as routine. Tasks are perceived as mainly standardized, with little exceptions to general rules, and with known ways to solve exceptions to the rules. Although the interviews did not reveal sharp contrasts, the operational managers seemed to emphasize routineness the most. They were the most outspoken on the importance of process management for achieving the Welfare Payment objectives.

The routineness of tasks is therefore valued as high⁷⁷.

⁷⁷ Measurement of the routineness of tasks is based on interpretations of the interview reports by the researcher. Routineness is measured by using a 5-point scale, ranging from (tasks are perceived as not standardized, with no general rules, and with no known ways to solve operational decisions) via average to high (tasks are perceived as standardized, with no exceptions to general rules, and with known ways to solve exceptions to the rules).

Summary Welfare Payment case

Welfare Payment is concerned with providing income to persons entitled to social welfare. The Council's main organizational objective for Welfare Payment is restrictive: to limit the increase in the number of clients. By restricting welfare payments, the Council basically aims to limit the number of people that are dependent on it, to stimulate operational control of Welfare Payment tasks, and to reduce the risk of future financial deficits.

Interviewees saw the external environment of Welfare Payment as dynamic, uncertain and uncontrollable. Politicians and managers of the municipality see the development of the client population as hard to control. They are also uncertain about the effects of the policies set by the Council, the emerging changes in national laws and regulations, and the financial contribution of central government to Welfare Payment. The internal environment, however, is seen as highly predictable; managers know the tasks to perform and see processes as controllable.

The objectives and performances of Welfare Payment are seen as sufficiently clear, at both an organizational and an operational level. Conflicting influences on setting objectives are clearly present, through the influences of central government (setting legal rules and financial restrictions), of Council members (restrictive special welfare), and management (effectiveness of operations). Clarity of objectives and conflicting institutional pressures on setting objectives appear to coexist in this case.

Objectives and performances are viewed as integrated between organizational and operational level and between financial and non-financial performances. Financial and non-financial objectives and performance are used at an organizational level to address current developments and trends, and for justifying changes in policies and future budgets. Frequent status reports on actual performance and monitoring actual trends are valued highly.

The fact that the city bears the significant financial risks of Welfare Payment stimulates an awareness of politicians and managers of the uncontrollability of financial and non-financial objectives and performances. Aldermen, communicating with elected members of the Council and civil servants, appear to use objectives and performances more as points of reference than as targets. Objectives and performances are also used as signals, to express and communicate issues that they perceive to be important.

Performance measures are more important at an operational than at an organizational level. Performance measures (budgeted, actual, and forecasted) are used as signals to the organization to express important trends, for example on the development of Welfare Payment clients and on actual workload. Trends are also used for process control purposes. Objectives and performances are used for budgeting and operational and organizational reporting. Performances are clearly used for status reporting, and reporting on current operational trends. The use of performances and objectives for variance analysis reasons, comparing actual developments to the budget, is only limitedly registered. Actual trends appear to be used for evaluating

whether change in processes, performances and objectives should be considered in the next budget period.

Performances also appear to be used for retrospective reporting, to explain to the city Council, to governance bodies, and to citizens what has been done and progress made.

An overview of the aspects relating to Welfare Payment is documented in Appendix VIII Summary of Aspects.

Sewerage case study

The structure of this section is comparable with the other case study reports. Firstly, the context within which Sewerage functions will be briefly examined, and the most relevant planning and control instruments together with the embedded objectives and performance measures will be described. Subsequently, their use is described by documenting the opinions of politicians or managers at three different organizational levels: the executive board, the director, and the operational manager. Finally, the points that have emerged during research into planning and control documents will be discussed.

Sewerage policies

The provision of a sewerage system is a legal requirement for municipal councils. A national environmental Act mandates local authorities to collect and transport their wastewater and rainwater. Under the streets of the city of Leeuwarden there are approximately 470 kilometers of sewers. These transport the wastewater⁷⁸ and rainwater out of the city.

These systems can be viewed as links in a chain. Rainwater and drinking water (and sometimes groundwater) flow into the sewers. The sewer transports it to the waste water treatment basins, and the wastewater treatment plant discharges its water into the canals and lakes. Sewerage is affected by rainfall (the weather), the amount of water supplied (tap water) and the amount of waste transported by it (sanitation, waste of businesses), and relates to wastewater treatment (governed by water boards), and the required water quality and water level in canals and lakes (governed by water boards and provincial governments).

Sewerage is part of the Council's Environmental program. As stated in the Program Budget 2004 and 2005, the main goal of Sewerage is to collect wastewater without polluting the environment. Limiting overflow of the sewer systems during heavy rains and maximizing wastewater collection are the specific goals of Sewerage.

In 2004 a new mid-term plan was made⁷⁹. This plan contained lists of Sewerage projects that were planned for the coming years. This planning is based, amongst other factors, on a recently held inspection of the older sewers (older than 35 years).

The operational activities of Sewerage are managed by the City Development and Maintenance department. The District Affairs⁸⁰ sector of this department is responsible for Sewerage policies and operations. This sector is also responsible for the control and maintenance of roads, bridges, waterways, and green areas (such as parks and grass). The sector consists of several teams, of which the Planning⁸¹ team is in

⁷⁸ In 2005 of about 36.500 households and 4200 businesses.

⁷⁹ Called the City's Sewerage Plan (in Dutch "Gemeentelijk Riolerings Plan" or GRP).

⁸⁰ In Dutch: "Wijkzaken".

⁸¹ In Dutch: "Bedrijfsbureau".

charge of Sewerage projects. Small-scale projects are also managed by this team, but for larger-scale projects the engineering team in the Spatial Planning and Execution⁸² sector acts as contractor.

The District Affairs sector includes sector management and five teams (Planning, Field Work, Policies and Support, Graveyards, and District Management). The sector has a staff of 185 full time equivalents. The municipality's operational tasks consist of planning, coordinating and controlling sewerage projects. Projects to construct new or maintain existing sewer systems are mostly executed by external contractors. Only minor maintenance work is actually done by the municipality itself.

Planning and control documents

Objectives, desired effects and performance measures relating to Sewerage are set out in several planning and control documents, such as the Program Budget 2004 and 2005, the Sector Plan 2004 and 2005, the Annual report 2004 and the Quarterly Reports of 2004 and 2005.

Sewerage, as part of the Environmental program, does not have strategic objectives specified in the Program Budget 2004. The strategic objectives of the environmental program implicitly cover Sewerage. Examples of these strategic objectives are:

- to realize a sustainable system for a clean and liveable city,
- to aim for a sustainable environment, by minimizing the amount of pollution,
- to realize an appealing environment to live in.

The explanation on these strategic objectives documents the organizational objectives of Sewerage (see Table 12)

Objectives Sewerage	reference	2004	2005
B1 Satisfaction of citizens with the maintenance of Sewerage (measured every two year by a survey).	42%	42%	44%
B2 Number of complaints in the registration system, relating to nuisance caused by sewer water.	48	60	55
B3 Preventing inconvenience by sewer water			
B4 Preventing inconvenience caused by factors other than sewer water.			

Table 12 Objectives 2004, Sewerage (source: Program Budget 2004, p. 115)

These objectives specifically refer to the inconvenience to citizens if sewers malfunction. In the explanatory notes to these organizational objectives reference is made to measures taken to prevent such a calamity⁸³.

⁸² In Dutch: "Ruimtelijke Ordening en Inrichting" or ROI.

⁸³ For example, to project that deliver excess water storage capacity.

The performance requirements for Sewerage are expressed in operational terms, such as:

- to provide for the continuous removal of waste and other surplus water,
- to make operational plans, put out tenders, inspect the sewers, clean the sewers,
- to collect wastewater within the city area,
- to transport wastewater to the wastewater treatment installation,
- to remove waste, caused by sewer overflows, from the bed of the waterways,
- efficient control and effective use of the sewers.

The explanatory notes clarify that the city does not use a special Sewerage tax. The coverage of Sewerage costs is provided by a separate part of the city's housing tax⁸⁴. As documented in the Program Budget 2004, the city expects to use a special purpose tax for Sewerage in the near future.

The Program Budget 2004, which was drawn up in the autumn of 2003, did not acknowledge risks presented by the current Sewerage policies, but announced a new mid-term Sewerage plan, to be set by the end of 2003⁸⁵.

The financial objectives for Sewerage are detailed under the heading "Sewerage" in the Program Budget. The budgeted product costs in 2004 are about €10 million, which is 40 percent of the cost of the Environment program (see Table 13)

2004 (*€1000)	costs	income	results
Environmental permissions	1.118	44-	1.075
Collecting garbage	11.490	9.257-	2.233
Sewerage	9.998	2.829-	7.169
Environmental policies	734	83-	651
Surface and sound	913	213-	700
Environmental communication	137	-	137
Vermin extermination	30	-	30
Graveyards	699	529-	170
Mortuary	103	-	103
Canine services	299	378-	79-
Cadaver disposal	3	-	3
Businesses	120	-	120
<i>Total</i>	<i>25.643</i>	<i>-13.333</i>	<i>12.310</i>

Table 13 Costs and income program Environment (source: Program Budget 2004, p. 126)

As Table 13 shows, Sewerage has a deficit of €7.2 million. This deficit is fully covered by local tax income. It is noteworthy that the coverage of Sewerage costs is calculated by the use of a financial calculation scheme. This scheme equalizes the ex-

⁸⁴ Citizens pay one housing tax assessment in which the sewerage costs are included.

⁸⁵ This municipal council has set this plan in 2004.

penses of investment programs, by using financial funds. Expenses and costs are accumulated annually and evaluated with a budgeted norm. Only the cost related to the personnel in the sector (such as salaries and office support) is booked directly to the profit and loss account. The surplus or deficit between actual and norm is booked to these funds at the end of every year. The total deficit for Sewerage in the profit and loss account is therefore largely predefined.

The Interim report 2004 does not doubt that the budget for Sewerage will be complied with, financially speaking.

The Annual Report 2004 documents to what extent Sewerage's objectives were realized. The satisfaction of citizens with the maintenance of the Sewerage (objective B1) was measured and appeared to be as expected (norm 42%, actual 40%⁸⁶). The number of complaints in the registration system, relating to problems with sewer water (objective B2) was however higher than expected (norm 60, actual 132). The Annual Report explains this high score by saying that the registration system was actively promoted⁸⁷, and that 2004 was characterized by some abnormally high rainfall. The achieved performances of 2004 are all evaluated positively (with a plus). However, further explanation of this performance evaluation reveals however severe delays in the time schedules of projects. These delays appear to have had no effect on the evaluation of the performances. The Annual Account 2004 presents the financial performances of Sewerage (see Table 14).

2004	costs	income	results
<i>(*€1000)</i>			
Budget 2004	9.998	2.829-	7.169
Adjusted budget 2004	8.806	3.789-	5.017
Account 2004	7.632	462-	7.170
Result	1.174	3.327-	2.153-

Table 14 Financial result Sewerage (source: annual report 2004, p. 132)

The Annual Report 2004 limitedly explains the mechanisms behind this row of figures. It explains that the variance between costs and income is predefined by a kind of financial closed circuit scheme, resulting in a deficit that equals per definition the budgeted value. If a variance between realized and budgeted costs occurs, the amount of income for Sewerage is compensated in accordance with this variance. This income is of an administrative nature and represents a booking to an equalization fund.

⁸⁶ The measurement of citizens' satisfaction with sewer maintenance is part of the city's district signaling system. This signaling system collects data every two years, by asking citizens to react to a written questionnaire. The exact meaning of the citizen's satisfaction measure is not clarified during the research.

⁸⁷ The city had put extra effort into promoting the registration desk to the public by actively promoting the purpose of the desk and the phone number by which it could be reached.

The components that lead to variance of cost are clearly explained. The lower than budgeted costs are caused by lower Sewerage project costs (mainly lower depreciation charges and lower direct expenses).

The Program Budget 2005 is the first program budget with strategic objectives for Sewerage: minimum discharge of waste. The organizational objectives are comparable with those in the Program Budget 2004. Two objectives are documented: citizen's satisfaction with Sewerage maintenance (44%) and the number of complaints in the registration system relating to problems with water (55) (see Table 15). These objectives are not explained further.

2005 Objectives Sewerage		reference	2005	2006
B1	Maintenance of sewer drains Indicator: Satisfaction citizens	42%	44%	46%
B2	Water hinder Indicator: reduction of number of complaints in the reporting system	48	55	50

Table 15 2005 Objectives Sewerage (source: Program Budget 2005, p. 100)

The aims in the Program Budget 2005 are comparable with those of the previous program budget. Examples are:

- maintaining the continuous removal of waste and other surplus water,
- making operational plans,
- putting out tenders,
- inspection of the sewers.

The Program Budget 2005 explains that in addition to these requirements, Sewerage also has to comply with the aims as set by the new mid-term plan (the "GRP 2004")⁸⁸.

The Program Budget 2005 also contains information additional to the GRP 2004, such as the separation of rainwater and wastewater, participation in an inter-organizational benchmark for Sewerage, and attention to groundwater policies.

The budget 2005 costs and income of Sewerage are €10 million and € 2.2 million, resulting in a deficit of about €7.8 million (see Table 16). This deficit is covered by a designated part of the local government housing tax.

⁸⁸ The previous GRP was used by the city over a longer period of time than originally intended. Desk Research revealed that through pressure by central and provincial government a new GRP was commissioned. Desk research of this "GRP 2004" plan gave insight into the objectives and performances documented in this plan. This plan documents three groups of objectives: related to wastewater, sustainable environment, and maintenance and use. Each group is related to specific objectives. These objectives are formulated by using mainly civil technical terms, norms and measurement methods.

2005 (*€1000)	cost	income	results
Sewerage	10.000	2.185-	7.815

Table 16 Costs and income Sewerage (source: Program Budget 2005, p. 109)

The objectives of Sewerage, as documented in the Program Budget 2004, are also present in the Sector Plan of the District Affairs sector. The Sector Plan also contains a list of performance measures that are more specific than those in the Program Budget. The Sector Plan details, for example, that 47,500 drains are to be kept clean, 467 km of sewers are to be maintained, 30 km of sewers are to be inspected, and that several categories of waste are to be disposed. The Sector Plan also describes the way the performances are to be measured and reported⁸⁹. For an overview of projects to be executed the Sector Plan refers to the previous and to the new mid-term plan (GRP). Financial budgets (documented in the appendix) provide financial detail on ledger accounts, responsibility centres, and products.

The Quarterly Report 2004 and 2005 of the District Affairs sector explains little about the achievements of the financial and non-financial performance targets. They do mention the increase in sick leave, the amount of temporary personnel, and organizing job appraisal interviews in the sector. The Quarterly Reports do not provide an insight into progress on or any possible delays to or bottlenecks in sewerage projects.

The District Affairs sector has produced a Sector Account 2004. This Sector Account explains the year-end position for detailed costs of responsibility accounts and products, on the number of people employed, and on man hours spent on projects and products. Sewerage receives only a few general remarks.

A more functional evaluation of the performance of Sewerage is documented in the GRP 2004, but this evaluation refers to the years between 1997 and 2001. Evaluation of performance in the years after 2001 is not given. References in the GRP 2004 to the year 2002 and beyond only explain relevant developments, but not the achieved performance.

Use of objectives and performance measures

The use of objectives and performance measures is analyzed in two ways. Insight into their use is documented at three different organizational levels (aldermen, civil director, and operational manager). Then, by referring to these points, relevant aspects are discussed.

⁸⁹ Measured for example by the district signaling system (one per two years), by visual inspection in the field, by registrations of failures or break-downs, by sickness percentage (per quarter). Reported for example by the monitor "Large City Policies" (twice a year), and Quarterly and Annual Reports.

Aldermen

Sewerage is of only minor interest to the responsible alderman. Sewerage, according to him, does not need intense political attention. He recognized the importance of Sewerage as a vital function for the city, but added that short term political influences on this function are limited. In his view, the more practical political discussions about Sewerage were held about 10 years ago,. Shortfall in the maintenance of sewers and political interest in improving the quality of surface water resulted then in a significant and structural increase in the financial budget and a more ambitious improvement program. The elected members of the Council do not often discuss the financial and non-financial objectives of Sewerage. There is, in the alderman's opinion, no reason to discuss Sewerage on a regular basis.

Political discussions are mostly held during the renewal of the mid-term plan, the "GRP". The alderman said that discussions in the Council on this GRP concentrated on three issues: limiting overflow of the sewers, sewers in rural areas, and the financial budget for the coming years. During these discussions the Council also evaluated the performances of Sewerage in the past year. He added that this evaluation showed that almost all objectives were achieved.

According to the alderman the main emphasis nowadays is on stimulating Sewerage projects. This is in order to prevent further setbacks in planning. He explained that some projects recently failed to be completed on schedule. He underlined that his influence on Sewerage was not focused on the achievement of objectives, but on mechanisms that could stimulate operations. In his own words "*A machine must start up and stay running. Detailed budgetary control by politicians does not add value to this*".

Political interest is therefore directed more to stimulating operational actions than on preventing budget overspending. The alderman referred to the financial scheme of Sewerage as the main reason for this limited political interest in financial performances. The flattening effect of this scheme, spreading financial differences over many years, released him from the need to control Sewerage closely. An additional aspect is that underspending of the total budget (mainly on depreciation due to delays in the executions of projects) is more realistic than overspending.

The objectives for Sewerage are clear to the alderman, but he perceived them as having limited importance. He sees objectives as guidelines for the professionals responsible for operational activities. He added that the Sewerage objectives often directly related to other policy fields. For example, the objectives for the technical design of the sewers are defined by the objectives for the quality of surface water. The objectives for the quality of surface water are mainly discussed and set in other policy fields. Political discussions about Sewerage therefore seem to "disappear"; to shift to other political settings.

Civil Director

The director confirmed the limited political interest in the objectives and performances of Sewerage. In his words: "*This is a political organization, and for Sewerage it*

is easy to say what has to be done. Sewerage simply must operate adequately, and the available money has to be used".

He views objectives as specific and clear; the objectives are in line with the desired technical quality and available financial means.

The director's attention is mainly focused on stimulating the progress of Sewerage projects; in order to prevent underspending of the budget. He has a limited involvement in the more technical aspects of the projects. His attention is more focused on the support and coordination of all civil projects. In his opinion, objectives and performances are of limited importance for controlling these technical projects. He stressed the importance of hiring the right persons, and of stimulating the interaction between persons. In his words: *"professionals can be controlled by ambition and passion, not by performances"*.

He added that the function of objectives and performance measures for Sewerage are mainly for the evaluation of past performances, to evaluate and report on the progress that has been achieved.

Operational manager

Operational management⁹⁰ underlined the importance of objectives and performance measures, but referred mainly to technical objectives and performance measures as defined in the mid-term plan GRP 2004. They referred to objectives in technical terms, for example: reduce discharge points that are unconnected with the sewer, reduce overflow of the system, and build separate systems for waste- and rainwater. The more politically formulated objectives, documented only in the Program Budget, were not of much value to them (for example on the number of complaints in the registration system).

Operational managers said that their annual planning is based on the GRP 2004. They referred to the GRP 2004 not only for the objectives and performances, but also for the list of specific projects that must be realized every year. In their opinion the yearly costs of Sewerage are based on this list of projects.

Interviewees explained that the projects on this list are not automatically put into operation. At the beginning of each calendar year, the list of projects is discussed, and the need to start-up a project is evaluated. Technical field-inspection reports are used to decide on the technical urgency for actions. Meetings with other sector managers give insight into the possibilities of coordinating Sewerage projects with other civil and infrastructural projects at specific locations. Projects with a high ranking for technical urgency and coordinated action are put into the plan for the coming year. Projects with a low ranking are rescheduled and will appear on future planning lists. Projects are mostly rescheduled to future starting dates, seldom to earlier starting dates. Projects in operation tend to take more time too. For example; most of the projects in operation in 2005 were based on the previous GRP.

⁹⁰ At operational level three persons were interviewed. Their answers are presented here in a summarized form.

Although the registration of public complaints about the sewers is still not of great importance to the operational planning of projects, operational managers considered this registration system to be important. The registration system has, in their view, improved communication between the public and local government. They said that people are now better able to express their opinions about the sewers to the local government. The managers expected that this registration system would be used to prioritize specific Sewerage projects⁹¹ in the future.

Managers discussed the progress of each individual project on a regular basis (weekly, monthly, and quarterly). Operational managers perceived project control as important, and explained that the organization put emphasis on improving project control. The introduction of new project control methods, the new assigned project controllers, and the rigid evaluation of project planning were named as examples of improved project control.

All interviewees expressed the view that the financial control of projects had been improved significantly over recent years. They all stressed that projects are being achieved within budget limits. The control of non-financial performances, especially time control, is seen as a point that still needs special attention. They were fully aware of the fact that the total costs budgets for sewerage were never overspent, and recognized that delays in projects were the main cause. The reasons for these delays are, according to operational managers, problems during the start-up of projects and unexpected situations in the field during the project execution. Digging beneath the surface of the city often reveals other things, previously unknown to the project manager. Not every cable or pipe is registered, and archeological findings often appear unexpectedly. Also, digging up roads often appears to require more coordination and communication than expected⁹².

Aspects of budget use

The previously described opinions of the alderman, the director, and the operational managers will be used here to analyze relevant aspects against the research framework. The main level of analysis is again organizational, with its focus on the use of objectives and performance measures at the top of the organization. The research framework and its defined aspects will be the focus of the analysis, but if applicable, other aspects are also included.

The evidence is summarized and analyzed by the researcher with reference to desk research and interviews where suitable.

⁹¹ For example, if overflow of sewers often results in registered complaints in specific districts or streets, projects that can reduce this inconvenience can be given a higher priority on the planning list.

⁹² For example, because of the desire to minimize traffic inconvenience.

Design and quality of the accounting information system

The accounting information system of the municipality yields both financial and non-financial information. The financial information relates in particular to the costs of products and the expenses of investments by the Council. Financial information is documented in all planning and control documents, such as the Program Budget, Sector Plan, Quarterly Report, project plans and project reports. The financial information for Sewerage often relates to differences between achieved performances and budgeted norms (such as the total annual cost budget and the project expense budget).

The accounting information system also delivers non-financial information, and provides in particular operational planning information (start and end dates, milestones, and time planning of projects, and time scheduling of personnel), and information on operational progress (such as: on hours worked by personnel and on sick leave). Managers use this information to control the operational processes and projects. Examples of reports for operational use are the Quarterly Reports in 2004 and 2005 of the District Affairs sector. These reports contain a lot of detail on the availability of personnel⁹³ and indicate progress against the performance targets of the sector. However, these Quarterly Reports rarely refer to Sewerage in particular.

The quality of accounting information is perceived as reasonable at all organizational levels. At the political level, the quality of information is perceived as good. Alderman and councilors appeared to be satisfied with the information provided in general, although the content of the information did not always match their specific needs. At the same time, it seems that the requirement for information about Sewerage by politicians is very low. Operational management perceived the quality of information as lower. It appeared that accounting information did not fully support the requirements of managers for controlling large numbers of different projects. Collecting valuable information for supervising projects is also considered to be difficult.

To conclude, the accounting information system for Sewerage contains both financial and non-financial information. Financial performance information is presented in great detail, and relates to budgeted norms and achieved values of individual projects and products. Non-financial performance information is also present in volume and in great detail, and relates to budgeted norms, achieved values, and to additional information (such as prognoses) of individual projects. However, the presence of such detailed information does not appear to completely fulfill the information needs of the operational managers who are responsible for clusters of projects.

The observations are tentatively quantified into a score⁶⁵. The scope of the accounting information system for Sewerage is valued by the researcher following the previously introduced method of assessing the various case findings. Using a 5-point scale, the scope is labeled as “average”⁶⁶. The quality of the accounting information is valued in the same tentative way as the scope, and is labeled with as “average”⁶⁷.

⁹³ Such as: sick leave, vacancies, temporary personnel, personal performance evaluations and plans, and training and education.

This valuation of quality aims to express the perception of a high quality of information in combination with a limited use at an organizational level.

Applied role

The interviews gave an overview of the different ways in which accounting information is used in practice; they provided insight into the roles of performance measures. This study has defined five different sub-roles or functions by which archetypal roles can be recognized⁹⁴. These five functions and the relating archetypal role (between brackets) are:

- to diagnose, to compare actual and budgeted performance (answering role),
- to learn and to change ways of doing (learning role),
- to unequivocally signal what is important (learning role, ammunition role),
- to influence future budget increase (ammunition role),
- to report and explain on past performance (rationalization role).

Firstly, the results of the interviews and desk research are used now to assess whether the use of performance measures are for diagnostic reasons, that is, for comparing financial and non-financial variances in performances.

Managers and politicians in Sewerage appear to use performance measures in two different diagnostic ways; in a general organizational and in a detailed operational way. The total budgeted costs of Sewerage, as defined in the Program Budget, are used as a highly aggregated total norm for financial performance. Compliance to this norm is perceived as important by all interviewees⁹⁵. However, managers and politicians are hardly aware of the actual financial performances of Sewerage. This is mainly due to the complex financial scheme in use and the structural underspending on Sewerage costs budgets. The diagnostic use of annual financial performance measures is thus hardly applied at an organizational level. Only at the end of the mid-term plan, during the evaluation of this plan, does a more complete financial overview appear to exist. However, this overview is retro-active.

Budgetary control functions at an operational level, as a project control instrument, for controlling separate financial and non-financial project performances. Status reports on projects support a diagnostic use for each project separately. The detailed budget rules are used to direct project managers to act within the clear project boundaries. Tools for controlling all the Sewerage projects on a more organizational level, in terms of both financial and non-financial performances, appear to be absent.

Secondly, the use of performance measures for learning, signaling and influencing future budgets is assessed.

⁹⁴ For more detail on the theoretical definition of the roles and their function see chapter 2, A Theoretical Research Framework.

⁹⁵ For example, (a) projects are only start-up if the expected cost of these projects does not result in a overspending of the budget, (b) occurring budget variances per project can be compensated by reallocation of budget of other projects, as long as the total budget stays within to pre-set year norm.

Performance measures appear to be rarely used for signaling Sewerage related information at an organizational level. Status reports often reveal detailed operational project information, are produced in a pre-defined format, and focus on information relevant for project control purposes. Managers indicated that these status reports rarely show to them possible bottlenecks in achieving organizational performances or objectives. They perceived the large number of projects and the standard lay-out of status reports as one of the main causes of this lack of insight. According to operational managers, the only way to control multiple projects is to arrange meetings with several project managers. Verbal information, collected during these meetings, is regarded as the most effective way to manage all the projects. Managers at all organizational levels often participate in meetings about large projects. These meetings appear to provide a forum for coordination and control between supervisors and project managers. The available information mostly relates to operational details, and is mainly used by project managers. Top management and politicians do not make much use of this information. They focus on the prevention of under spending of financial budgets and on the stimulation of the start-up of individual projects. For them, the information in the Annual Report is the most relevant source of information on organizational progress.

Interviewees see control of Sewerage as an on-going process. The actualization of the mid-term plan (GRP) is seen more of the start of a new budget cycle. Desk research on the process of setting the GRP 2004 found no evidence of the use of performance information for influencing future budgets, or for motivating budget increases.

Thirdly, a brief assessment of the use of performance measures for reporting and explaining past performances is presented.

The achievement of objectives is reported at the end of each GRP. An evaluation of a GRP takes place formally every four years, but this period can be longer when the making of a new GRP is postponed. This GRP mainly documents and evaluates the achievements of non-financial performances. This retrospective evaluation is discussed in the Council, and can be regarded as a general organizational evaluation. Sewerage also participates in a national benchmark scheme. This benchmark compares financial and non-financial performances between municipal organizations. The information from this benchmarking process is reported to the Council, but does not seem to trigger any discussion. The reason for this lack of interest in the benchmark information by management and politicians has not been explained during this research⁹⁶.

⁹⁶ This lack of interest can be caused by various reasons, for example: councilors have limited interest in Sewerage (seen as a field for technical skilled professionals, or perhaps because the systems itself is mainly below the surface), or citizens have limited interest in Sewerage (coverage of Sewerage is included in a housing tax and the sewer system causes little inconvenience).

To conclude, performance measures are:

- not used very much for diagnostic reasons at organizational level⁹⁷. Financial and non-financial performance measures are used in budgets, operational planning and in status reporting, but the evaluation of performances at an organizational level only occurs when the mid-term plan (GRP) is renewed.
- limitedly used for signaling important issues. Only under-spending of financial budgets is used as a signal for stimulating project managers to deliver on time.
- hardly used for learning, for changing ways of doing.
- not being used for influencing future budget increases.
- used for reporting on past performances, and providing insight in more general terms into the achieved performances of Sewerage.

Businesslike or political context

As previously discussed a more businesslike context is associated with:

- specific organizational objectives,
- relatively tight budgetary control (low tolerance of intermediate budget variances, detailed analysis of budget variances, intensive communication about budgets, emphasis on meeting the budget),
- integration of strategic objectives and operational performances (formal organizational planning is coupled with operational control).

A more political control context is especially associated with a high level of multiplicity on objectives. The aspects relating to the two contexts are discussed in detail in the next section.

Specificity and integration of objectives

Sewerage appears to have two different types of objectives: political objectives as defined in the Program Budget (aimed at inhabitants of the city) and the technical objectives in the GRP. Both types of objectives are perceived as specific. The objectives in the GRP, and the related functional demands and technical requirements, largely determine the planning of tasks for Sewerage. The objectives in the Program Budget relate to the public perception of the effectiveness of Sewerage in running the sewers.

Both types of objectives can be seen as linked. It is reasonable to expect that the long-term objectives in the GRP lead to the same point as the objectives in the Program Budget. But this link is not made explicit⁹⁸.

So, in practice both types of objectives can be seen as a relatively loosely coupled control system, by which the Council focuses on registered complaints and the managers focus on technical norms. In formal terms this loose coupling is, however, non-existent. Both GRP and Program Budget are discussed and set by the Council, and the Program Budget makes explicit references to the GRP.

Managers and politicians do not perceive any problems with these two types of objectives. On the contrary, it is seen as a preferable development. In the words of the

⁹⁷ However it is used diagnostically at the operational level of individual projects.

⁹⁸ For example: the registration of complaints is a measurement that is also documented in the GRP, but the design of the system relates basically to national defined design norms.

responsible alderman: *"I can approach this subject in more abstract terms, but professionals must think in clear operational terms"*.

The link between Program Budget and GRP is especially clear when looking at the formally documented performance measures in the Program Budget 2004 and 2005. The Program Budgets makes explicit reference to the performances in the GRP.

To conclude, objectives and performances are specific, although not extensively used for control purposes. Integration of financial and non-financial performances is only recognized at an organizational level when the GRP is evaluated. Strategic objectives and operational performances are integrated.

Multiplicity of objectives

There are no indications of conflicting pressures on organizational objectives. Multiplicity of objectives is thus considered to be low.

Tightness of budgetary control

Budget tightness in Sewerage is limited. It seems that the sensitivity of and interest in the financial results of Sewerage is relatively low. Budgetary control relates to Sewerage's products (basically yearly maintenance budgets) and projects (often with a multi-year time span). Financial and non-financial information on projects is available, but is regarded by managers as of limited use for organizational control.

Financial control is carried out within the organization's control rules and guidelines⁹⁹. Product and project managers have to comply with these specific rules and procedures. Tightness of budgetary financial control at operational level is therefore considered to be high. Budget responsible managers are not allowed to incur more costs than budgeted, to spend more cash than budgeted, and can only authorize payments up to specific pre-set amounts. These behavioral restrictions at project level do not result automatically in tight budgetary control at an organizational level. For example, overspending on one project budget can be compensated by under spending on other projects. This compensation mechanism is controlled by internal rules, and demands the formal approval of senior management. Furthermore, as discussed before, Sewerage's budgets are mostly under-spent. Overspending at an organizational level seldom occur, which puts limited pressure on budgetary control at an organizational level.

The use of a financial scheme, for flattening the cost over a period of at least four years, is another aspect that decreases budgetary tightness. Even when overspending occurs in a specific year, this deficit is booked to a general ledger account. Managers and politicians seem to have no specific knowledge of the function of this scheme, and on the mechanisms that define the yearly financial results for Sewerage. The general procedure of this scheme was often explained during the interviews, but in answers to more detailed questions they all suggested that it was better

⁹⁹ For more information in financial control, see the section "Planning and control at an organizational level" in this current chapter.

to consult the financial experts (*"you should address that question to the finance sector"*).

Non-financial budgetary control relates mainly to the time planning of individual projects, and to the milestones within the project planning. Management confirmed that there are problems with controlling the time aspects of projects. Time planning of projects has not been well executed and time is not well controlled. Discussing this subject, managers mentioned several issues such as: delays in starting projects on time, time consuming coordination between Sewerage projects and other infrastructural projects, and unexpected situations in practice (unknown cables, pipes, pollution, archeological findings etc.).

Information on the progress of individual projects was available, but information for controlling non-financial performances at an organizational level seems to be largely missing. Thus, coordination of projects at a more organizational level appears to be hard, and the consequences of not delivering non-financial performances seem to be difficult to see. An exception to this general conclusion is the control of Sewerage projects in most of the development districts or areas. The development of new areas or districts seems to be in control, this despite the fact that the realization of these development projects was performed by private parties, outside the direct influence of the city Council.

To conclude, tightness of budgetary control is qualified as limited, due to four aspects:

- Intolerance for interim budget variation appears to be limited, particularly for organizational control purposes. However, for various reasons, exceeding annual budgets never seems to happen.
- Detailed budget-item follow-ups appear to be limited. Detailed follow-ups are applied for operational project control, but this aspect is not of significant importance for organizational control.
- Intensity of budget-related discussion is limited; budgets are seldom the subject of discussion for organizational control.
- Emphasis on meeting the budget is considered as average. Meeting the annual budget appears mainly to be important for operational planning purposes, and for emphasizing the importance of time control (minimizing under spending of budgets).

Measuring the political and businesslike context

Specificity of objectives within Sewerage is qualified as high⁷⁴. This measure expresses the findings that objectives are perceived as clear, relevant, integrated, and used for prioritizing. Multiplicity of objectives is valued as low⁷⁵. No clear conflicting pressures on objectives surfaced during the research. Tightness of budgetary control at an organizational level is valued as below average⁷⁶. Referring to these measurements, the context of organizational control of Sewerage is mainly characterized by businesslike aspects (specificity of objectives).

Routineness of tasks

Interviewees had different views on the routineness of tasks in Sewerage. Tasks were often described as “performed in a known way”, easy to forward plan in phases and steps, and often repetitive in nature. On the other hand, most of the interviewees said that tasks were often performed on an ad-hoc basis. They saw the environment of Sewerage’s projects as difficult to predict, both beneath the surface (unknown elements) and above (difficult coordination with others). Only in the case of a totally predictable environment, would the tasks of Sewerage be described as having a high level of routineness.

So, the tasks of Sewerage are seen as basically highly routine, but the implementation of sewer projects appears to happen on a more ad-hoc basis. Sewer projects are planned in advance, but often have to be rescheduled during the execution of the projects. The routineness of tasks is therefore quantified as average, expressing the high level of technical routineness and the more ad-hoc situation of the actual project implementation.

Summary Sewerage case

Sewerage is about collecting and transporting rainwater and waste water, in such a way that environmental pollution and overflow of the sewer systems are minimized. Although the main organizational objectives of Sewerage are formally aimed at securing citizens' long term satisfaction, in practice Sewerage is directed by a mid-term project plan (GRP).

The external environment of Sewerage is perceived as certain, and political interest in Sewerage is very limited. Only, when the Council evaluate the old and set a new GRP (every four year or longer), is some political interest documented.

Planning and control in Sewerage is largely carried out in an environment where professional engineering knowledge dominates. Objectives and performances are perceived as clear and integrated, and conflicting pressures on setting organizational objectives are not seen. Objectives are to a large extent the result of the technical norms, knowledge and methods that determine the planning of Sewerage. The tasks to perform are often well-known and pre-programmable, but performing tasks on time (large projects in particularly) is often organized on an ad-hoc basis.

The use of objectives and performance measures appears to be limited at organizational level. Financial performance measures are mainly used to set the total yearly volume of sewer projects, but the use of financial performance measures for organizational control is limited. Yearly financial variances which occur (between budgeted and realized financial performance) are resolved by a technical financial scheme, which equalizes financial variances over the plan period.

Meeting project deadlines is in general considered to be the most important non-financial operational performance target, but appears hard to achieve. For example, start-ups of sewer projects are often delayed, and the execution of sewer projects often takes longer than planned.

Operational performance measures are important for the project manager; control of individual projects uses operational financial and non-financial performance measures in detail. These operational performance measures give insight into individual projects, but are hardly used for organizational control purposes.

An overview of the aspects relating to Sewerage is documented in Appendix VIII Summary of Aspects.

Economic Policy case study

The structure of this section is comparable with the other case study reports. Firstly, the context in which Economic Policy is made will be briefly examined, and the most relevant planning and control instruments, with their embedded objectives and performance measures, described. Subsequently, the use of objectives and performance measures is described by documenting the opinions of politicians or managers at three different organizational levels: the executive board, the director, and the operational manager. Finally, the points that have emerged during research into planning and control documents will be discussed.

Economic Policy

Economic Policy's has an influential role in policy documents. Economic Policy is referred to as central in the Executive Program "Work in Progress" (2002), in the City Vision "Sailing under own flag" (2002), and in the Mid-term Development Plan 2005-2009 (MDP II).

In 1996 Leeuwarden participated in Large City Policy¹⁰⁰ (LCP), a program under the supervision of central government, and this appears to have been an important catalyst in furthering the development of its Economic Policy. Both the City Vision and the Mid-term Development Plan are supported by LCP. The basic assumptions of LCP are, according to the Program Budget 2004, "grounded in the city's processes"; the Program Budget 2004 and 2005 contain the objectives and performances as defined by LCP.

The MDP is an important document in the covenant between the Council and central government. It defines the subjects that are stimulated by LCP, and describes the economic ambitions of the Council¹⁰¹. LCP's budget is made available by central government as a general grant under the name "Economy and Social".

The MPD II also documents, in relation to Economic Policy, a number of relevant and measurable objectives, performance measurements, and norms. These output measures are used to account to central government.

The central position of the LCP's objectives can also be recognized in the Council's Economical Plan 2002-2006 ("Leeuwarden, city of all trades"). This plan discusses Economic Policy for the city in a comprehensive way, documents the subjects de-

¹⁰⁰ In Dutch: "Grote Stedenbeleid" or GSB.

¹⁰¹ To give some examples, the MDP II documents: Economic growth in recent years and expected future growth will lead to an increase of scale of Leeuwarden in terms of space (development, restructures), economic (the employment engine of Fryslân), and social development (increase in inhabitants). Leeuwarden aims to be prepared for its future. Growth is important for the city for performing and improving its functions well for its own citizens, for cities in the area - also in the future. This will enlarge the city's social economic perspective.

This is defined in the following main goals: A vital mid-size city with 100.000 to 125.000 citizens with a balanced composition. (a) the most important city in the north of the Netherlands, next to the city of Groningen, for facilities, employment and living, (b) an urban society, with unemployment and economic development comparable to an average norm, (c) an attractive city with sustainable and high quality residence for businesses and civilians, (d) an easy assessable city, with an effective transport system, (e) a safe and livable city.

fined in LCP (such as business climate, business environment, city's services to businesses) and specific actions.

The Council's Economic Policy is influenced not only by LCP but also by central government current policies. A change of course in economic policy by central government has consequences for local authorities. Central government's regional economic policies reveal a shift away from more generic economic support and compensation for "backward"¹⁰² areas, towards realizing economic potentials and eradicating major national problems¹⁰³. The cabinet's plan names the city of Leeuwarden where centers of excellence for water treatment¹⁰⁴ and life science should be developed as priority.

Economic Policy in the municipality of Leeuwarden is coordinated by the Economic Affairs team. This team is part of the Development, Economics, and Real Estate sector and of the department of City Development and Maintenance. In the past a strong link existed between development and economics. One of the main ways to realize economic growth was to stimulate tailor-made development solutions. For example, by developing top locations for real estate development, and aiming to meet the accommodation requirements of businesses, was (and is) the city capable of attracting new business. The city has to compete with many other cities in the region, and is using Economic Policy to persuade business to choose Leeuwarden. The link between development and economics has become less pronounced in recent years; and the emphasis of Economic Policy is now less on the development of new districts and areas. Economic Policy is now more related to a broad spectrum of municipal services, such as traffic, public transport, employability, and development.

The Economic Affairs team is involved in four activities: services, relation management, policies, and subsidy management. The team size was small; only 3 persons were employed in 2005. The Development, Economics, and Real Estate sector has a staff of about 26 full-time equivalents.

Planning and control documents

Objectives, desired effects and performances relating to Economic Policy have been set out in several planning and control documents, such as the Program Budget 2004 and 2005, the Sector Plan 2004 and 2005, the Annual Report 2004, and the Quarterly Reports in 2004.

Economic Policy is recorded in the Program Budget 2004 as part of the Economics and Tourism program. The strategic objectives of this program partly relate to the City Vision and the MDP II¹⁰⁵, but include some additional specific objectives¹⁰⁶. Ac-

¹⁰² See memo such as: "Integral Governance Plan northern part of the Netherlands", in Dutch "Integral Bestuursplan Noorden des lands", and the "Langman-agreement".

¹⁰³ See cabinets memo "Heights in the delta", in Dutch "Pieken in de delta".

¹⁰⁴ Referred to as "Wetsus".

¹⁰⁵ Such as: enlarging the attraction and capability of the city, and to extend the services to businesses.

According to the text of the Program Budget 2004, the objectives and the related measures of Economic Policy are rather specific. The major objectives are documented in Table 17.

Objectives Economic Policy		Reference	2004	2005
A	Increase local employment equal or more than increase on national level (nl).		nl	nl
B	Maintaining current business climate rating	6,4	6,4	
C	Number of new ventures		240	240
D	Increase in employment in retail			+150
E	Number of m2 office space to deliver			37500

Table 17 Objectives Economic Policy (source: Program Budget 2004, p. 43)

The prime objective is to increase employment opportunities. No specific norm is documented; the aim is to develop in line with national employment trends. The notes for this objective do not reveal a more specific goal, but stress that in 2005 employment in the city was in line with the national trend. The other objectives detail desirable developments in the local business climate, new ventures, retail trade, and office space. Most of the objectives have target values, but for the year 2004 not all targets are available. The Economics and Tourism program provides textual context on the state of progress, both on the objectives and the performances. Two groups of performances are described, incidental and structural. Incidental performances often describe particular development by the municipal organization or in which the organization participates. Structural performances are described in more general terms. Examples of structural performances are:

- acquisition of new ICT-businesses,
- implementation of a new service point for businesses, and a computer system for relation management,
- to visit 80 businesses per year.

In contrast to the relative importance of Economic Policy in the Program Budget, Economics and Tourism are of only minor financial importance. Table 18 shows that the total costs of Economic Policy produce only 7 percent of the total costs of the program (€ 1.6 million of the € 22.6 million). The financial heart of the program is Development and Real Estate¹⁰⁷.

¹⁰⁶ Such as: supporting retail trade with particular services, enlarging recreation opportunities and facilities.

¹⁰⁷ The total budget of the products Development and Real Estate together makes € 19.3 million, or 85 percent of the total costs of the program Economics and Tourism.

cost and income 2004	costs	income	results
<i>(*€1000)</i>			
Economic Policy	1.664	513-	1.151
Markets	180	161-	18
Markets stands	43	92-	49-
Real estate	6.341	5.605-	736
Development	13.003	14.126-	1.122-
Recreation terrains	827	72-	754
Recreation sailing	79	60-	19
Fairs	42	100-	58-
Tourism	394	99-	295
<i>Total</i>	<i>22.573</i>	<i>-20.829</i>	<i>1.744</i>

Table 18 Costs and income Program Economics & Tourism (source: Program Budget 2004, p. 51)

The Interim Report 2004 does not forecast any budget shortfalls in Economic Policy.

In the Annual Report 2004 many objectives are not fully evaluated. The main reason given for this is lack of quantitative data. Some data is included, and shows that progress in the development of office locations has almost halted. The progress on incidental performances is mainly valued as below expectation (with a plus/minus or a minus), the progress in the development of office locations is valued with a minus. The progress made towards various structural performances is valued in a more positive way, mainly with a plus. Progress in attracting new ICT-businesses, implementing a service point for businesses, and carrying out business visits seem to meet the pre-set norms.

An overview of the financial performances is documented in Table 19.

Costs and income 2004	costs	income	results
<i>(*€1000)</i>			
Budget 2004	1.664	513-	1.151
Adjusted budget 2004	2.124	919-	1.205
Account 2004	1.666	631-	1.035
<i>result</i>	<i>458</i>	<i>288-</i>	<i>170</i>

Table 19 Costs and income Economic Policy (source: Annual Report 2004, p. 43)

The Annual Report does not explain the reasons behind the adjustment of the budget. Desk research only revealed that the Council agreed the budget adjustment, but more as an administrative decision. The Annual Report only explains the financial result as a difference between actual costs and adjusted budget.

The Program Budget 2005 completely absorbed the strategic objectives of the MDP II. The indicators to measure these objectives are also used. The organizational objectives in this budget are to a large extent comparable with the objectives of the pre-

vious budget. These objectives are now explained more specifically. To illustrate this, a few examples are documented below.

- employment growth on a national level
- keep the business climate at the current level (rating of 6.4 on a 10-point scale)
- increase in the rating for new ventures (increase from 6.1 to 6.6 in four years, on a 10-point scale)
- 5 new business activities
- optimal use of ICT-functionalities

Achievements are documented, and the measurements of incidental and structural performances are comparable with those in the previous program budget. The Economic Policy budgeted costs for 2005 show a decrease of 6 percent against the 2004 budget¹⁰⁸.

The objectives and performance measures for Economic Policy, as described in the Program Budget 2005, are also documented in the Sector Plan 2005 of the Development, Economics, and Real Estate sector. This list of performance measures is expanded with more operational activities, performances indicators and target values, and details about internal and external relations. The Sector Plan also contains a list of management activities¹⁰⁹, an appendix with financial budget details, a financial restructuring target, and an overview of meetings to be held and reports to be produced.

The Quarterly Reports in 2004 are mirrors of the Sector Plan 2004; they report progress made. The Quarterly Reports in 2004 explain the progress mainly by qualitative descriptions of the status. Only progress on financial performances, sick leave, and vacancies are explained in a more quantitative manner.

The sector produced its own Annual Account 2004, separate from the Annual Account for the whole organization. This Sector Annual Account often provides explanations on the year-end situation in the sector, and gives a global and qualitative description of the achieved performances. Reports on the achievements of most of the individual performances are not included. The Sector Annual Account does contain a detailed overview of the financial performances and variances. The figures in this financial review are, however, different from the figures used in the organizational Annual Account. This remarkable fact is explained by the fact that the organizational account was produced after the sector account, but the reason why these differences occurred was not explained.

Use of objectives and performance measures

The use of objectives and performance measures is analyzed in two ways. Insight into their use is documented at three different organizational levels (aldermen, civil

¹⁰⁸ Costs €1,571,000, income €513,000, delta €1,058,000.

¹⁰⁹ Such as personnel evaluations, sickness leave, vacancies, education and training.

director, and operational manager). Then, with reference to these findings, relevant aspects are discussed.

Aldermen

Employment is, according to the alderman, one of the most important political focus points. In his view Leeuwarden is a thriving city, a city with sufficient employment. The need to excel in economic terms, and perform better than the other cities in the region, is seen as an important target for politicians.

The alderman described Economic Policy as a subject that is hard to control. He explained that Economic Policy relates to various aspects, and to different sectors of the municipal organization, and mainly delivers results in the long term. The Economic Affairs team's main task, in his view, is to initiate and stimulate actions in other sectors. He associates the tasks of this team with the delivery of high levels of services to private companies, with easily accessible offices and an effective working urban infrastructure. These are the primary responsibilities of the Spatial Development and Traffic and Transportation sector.

He stresses the importance of his personal involvement in this area. Contacts between the top managers of private and public companies and politicians, and support by civil servants for those contacts, are described as critical to an effective Economic Policy.

The alderman perceives and other elected members of the Council perceive the objectives of Economic Policy as clear. For him, a lack of clarity in Economic Policy is the way in which these objectives can be met. He sees many options that could lead to their delivery. The alderman not only expressed uncertainty about the execution of tasks, he also saw the external environment of Economic Policy as uncertain. He emphasized that many external circumstances form risks that can prevent achievement of the Council's objectives in this policy field. In his view Economic Policy is a flexible policy field, which can quickly react to situations and opportunities. The flip-side of this is that he finds it hard to keep the Economic Affairs team on a straight and focused course.

Civil Director

The director perceived the objective related to increased employment as clear, and added that this objective was measurable and could be monitored. He emphasized that this objective must also be met by private companies and not exclusively by the municipality. He expressed his view that the municipality can only support businesses in achieving this objective, and he saw contact management as an important organizational function in this regard. The director added that relation management had limits. In his words: *"You can be out all year, and still not improve the local employment situation"*.

According to the director, Economic Policy can only function well when it is solidly embedded in the activities of other sectors of the municipality. He therefore stresses

the importance of personnel from the Development, Economics, and Real Estate sector being present at meetings on spatial and infrastructural projects.

Members of the Development, Economics, and Real Estate sector have less restriction in their job descriptions. In the words of the director: *"They are the free spirits of the organization"*. This role is highly valued by the director. He finds that this freedom can have a significant impact on the municipal organization as a whole and on spatial development in particular.

He illustrates this with an example: Economic Policy has limited influence on the accessibility of businesses in the city, but an easily accessible city is of major importance to the local economy. In his view the policy area of Traffic and Transportation overlaps with Economic Policy. The economic possibilities for Leeuwarden justify extensive road building schemes.

Operational manager

The operational managers also perceived the objectives of Economic Policy as being clear. They added, in line with the other interviewees, that they perceived the road to achieving these objectives as uncertain. The manager of the sector explained that it was largely unclear to him what his sector should do in order to achieve higher employment in the city. In his own words: *"The objective is a good one, but I don't know which is the right button to press to make it happen"*.

Nevertheless, members of the Development, Economics, and Real Estate sector view their involvement in Economic Policy as valuable. Asking them for the reasons for this positive evaluation, they explained that the sector was recently involved in attracting new businesses to the city. On the progress towards employment targets, however, they valued their involvement less positively. In the words of a manager: *"The welfare payment in-trays are still full"*.

However, they believe that the municipality will meet the employment objective. National developments indicate a decrease in employment of 1.2 percent, and the current figures in the city are better. They quickly add that this achievement had very little to do with the involvement of their organization, or the city's policies on this field, but more to do with the relatively large number of service organizations within the city's boundaries¹¹⁰.

According to operational sector management, Economic Policy is not marked by a consistent, long-term approach. In their opinion it is not easy to use objectives as documented in the Program Budget as a starting point for their operational planning. Operational planning is often based on the activities of previous years, and the organizational objectives are of no value to them in deciding on changes in operational planning.

They see the availability of staff in the sector as very flexible, which allows them to react swiftly to emerging situations.

Managers describe the set of activities related to Economic Policy as complex, mainly because so many have to be performed by other sectors of the municipal or-

¹¹⁰ The decrease in employment was mainly caused by the manufacturing sector, and not so much by the service sector.

ganization. Motivating personnel in other sectors and coordinating many activities is no easy job. A few years ago the emphasis on motivation and coordination was not considered to be that important. Economic Policy and Development were then closely related and worked as a unit. But Economic Policy is now linked to many organizational activities, not just to infrastructural projects, but also to things such as city marketing.

Aspects of budget use

The previously described opinions of the alderman, the director, and the operational managers will be used here to analyze relevant aspects against the research framework. The main level of analysis is again organizational, with its focus on the use of objectives and performance measures at the top of the organization. The research framework and its defined aspects will be the focus of the analysis, but if applicable, other aspects are also included.

The evidence is summarized and analyzed by the researcher with reference to desk research and interviews where suitable.

Design and quality of the accounting information system

The accounting information system of the municipality yields both financial and non-financial performance information. The financial information for Economic Policy is particular to the costs of products of the municipality. Financial information is documented in all planning and control documents, such as the Program Budget, Sector Plan, and Quarterly Report. The financial information for Economic Policy often relates to differences between achieved performances and budgeted annual costs.

In addition, the accounting information system also yields non-financial information. This information links to the objectives and performances of Economic Policy and to several other aspects (such as statistics, reports on economic development, several trends, ad-hoc studies, etc.). Additional information is available, covering a broad range of different subjects, and is often more qualitative in nature.

The quality of the accounting information used is seen in different ways. The quality is perceived as good at an operational level, despite the fact that they cannot get all the information they require. At an organizational level, the information is valued less positively. Accounting information is seen as insufficient to provide the right information. At the same time top management and politicians say that they do not expect that the accounting information system can completely fulfill their requirements for Economic Policy. The majority of their information requirements have, in their view, relationships with new issues and activities. Accounting information has, in their view, more of a systematic character, and delivering ad-hoc information on request is not what they expect from this system.

Interviewees indicated that most of the information is delivered by verbal communication, in face-to-face meetings. This information is viewed as sufficient and delivered on time.

To conclude, the accounting information system in relation to Economic Policy contains both financial and non-financial performance information. Plentiful financial performance information exists, and relates to budgeted values, achieved values, and additional information.

The observations are tentatively quantified into a score⁶⁵. The scope of the accounting information system for Economic Policy is valued by the researcher following the previously-introduced method of assessing the various case findings. Using a 5-point scale, the scope is labeled as “above average”⁶⁶. The quality of the accounting information is valued in the same tentative way as the scope, and is labeled as “average”⁶⁷.

Applied role

The interviews presented a view of the different ways in which accounting information is used in practice; they presented an insight into the roles of performance measures. This study has defined five different sub-roles or functions by which archetypal roles can be recognized¹¹¹. These five functions and the relating archetypal role (between brackets) are:

- to diagnose, to compare actual and budgeted performance (answering role),
- to learn and to change ways of doing (learning role),
- to unequivocally signal what is important (learning role, ammunition role),
- to influence future budget increase (ammunition role),
- to report and explain on past performance (rationalization role).

Firstly, the results of the interviews and desk research are now used to assess whether the use of performance measures is for diagnostic reasons, that is, for comparing financial and non-financial variances in performances.

Budget information is used for operational budgeting and planning (Program Budget and Sector Plan) and to report on the progress made against the financial targets for Economic Policy. The Quarterly Report 2004, sectors’ Annual Account 2004, and the municipal Annual Account can be seen as clear examples of this report function. These reports mainly provide insights into the status of the consolidated financial performances, but do not analyze the variances between achieved and budgeted performances or discuss corrective action that could be taken to influence the achievement of performances in the near future.

Non-financial performance measures are often used in ad-hoc specially made reports and documents. This information relates to a wide range of subjects, and is used to analyze current developments or to justify actions to be taken. This additional information rarely refers to the achieved non-financial performances of the organization, and does not give insight into actual achieved non-financial performances.

The use of budgeted performance measures for diagnostic reasons appears therefore to be limited, and only for financial performances on aggregated figures.

¹¹¹ For more detail on the theoretical definition of the roles and their function see chapter 2, A Theoretical Research Framework.

Secondly, the use of performance measures for learning, signaling and influencing future budgets is assessed.

Performance measures are used for signaling, or highlighting important issues in Economic Policy. Not only budgeted information, but also additional information is collected and distributed. This information comes from various sources, is often made for a special purpose, and is used at all organizational levels. This information is used in meetings in which politicians, top management and operational management decide on actions to be taken. Many of these meetings are responses to real opportunities or developments. Information related to Economic Policy is often used to analyze and motivate actions. Swift decision processes and timely actions appear to be important, combined with delivering support to the alderman in a flexible way. Due to the fact that Economic Policy often relates to other policy areas, this ad-hoc information is often used in meetings with other sectors, such as spatial planning, and traffic and transportation. Standard information appears to be used here to a very limited extent. There are indications that this information is used to influence decisions in other policy fields, and to influence budget setting in future budget periods, but specific objective examples are hard to find.

Thirdly, a brief assessment of the use of performance measures for reporting and explaining past performances is presented.

The achieved performances are reported to the alderman, the Council, the citizens, and central government (a mandated LCP report). These reports are made after a certain time period, and present an historic overview of developments in the city in the reporting period. The reports to the Council and to the people of the city often refer to specific projects or development areas. This type of information is also used in a city marketing function, advertising the developments in the city to a broad audience.

To conclude, not all five aspects of the archetypal roles are observed.

- Performance measures are only partly used for diagnostic use. Only financial performance measures on aggregated budgets are used in a diagnostic way. In particular non-financial performance measures are often used for operational budgeting, planning and status reporting, but does not relate often to the budgets.
- Performance measures are used to learn, in a way that performance measures are used to decide what actions must be undertaken. Learning to achieve pre-set goals is not clearly observed. The relationship between the objectives, for example employment, and the action to be taken are seen as indirect.
- Performance measures, often additional non-financial measures, are used to signal to all involved people at all levels of the organization.
- Performance measures are not observed to be used for influencing next period budgets, but seem to have some influence on budgets in other policy fields.

- Performance measures are used for reporting the past, and to explain historic achievements.

Businesslike or political context

As previously discussed a more businesslike context is associated with:

- specific organizational objectives,
- relatively tight budgetary control (low tolerance of intermediate budget variances, detailed analysis of budget variances, intensive communication about budgets, emphasis on meeting the budget),
- integration of strategic objectives and operational performances (formal organizational planning is coupled with operational control).

A more political control context is especially associated with a high level of multiplicity of objectives.

The aspects relating to the two contexts are discussed in detail in the next section.

Specificity and integration of objectives

Objectives appear to be perceived as clear and specific by all involved at all organizational levels (sector, department, and alderman). When interviewees were asked to name the most important objectives, they all referred to the development of employment, and almost all also to objectives relating to business climate, new ventures, and the number of businesses moving to Leeuwarden. These objectives were perceived to be measurable and had objective measurement instruments.

Organizational objectives are mainly documented in organizational documents, such as the Program Budget and Annual Report, used by the Council and available to external parties (citizens, governance bodies etc.). The more operational documents, such as the Sector Plan, only refer to the organizational objectives in general terms. The performances of the Program Budget are integrated at an operational level.

The relationship between organizational objectives and performances are seen by many as indirect. They questioned whether, and to what extent, achievement of performances leads to achievement of objectives. For example, the growth of employment is assumed to be achieved by supporting an internet academy, the implementation of a business service point, and a relations management system. But the actual contribution of these activities is more based on assumptions than on clear evidence.

In spite of the fact that objectives are perceived as clear and specific, they are also viewed by those involved as hardly controllable by the Council. For example, the decrease in employment is not heavily influenced by the Council's Economic Policy.

In general, managers don't believe that the Council's Economic Policy can significantly influence employment developments. However, at the same time all interviewees indicated that the activities of Economic Policy are largely dictated by the objective of employment increase. Actions are not always based on objectives analysis, but are strongly determined by actual situations, they added.

Multiplicity

There are no indications of conflicting pressures on the organizational objectives of Economic Policy. Multiplicity of objectives is therefore considered as low.

Tightness of budgetary control

Budget tightness is limited in Economic Policy. Budgetary control mostly relates to meeting annual budgeted costs. Additional non-financial information is available, but is regarded as of limited relevance to organizational control.

Financial control is performed within the organizational control rules and guidelines¹¹² and product managers have to comply with these specific rules and procedures. Tightness of budgetary financial control at operational level is therefore considered to be high. Budget responsible managers are not allowed to incur more costs than budgeted, to spend more cash than budgeted, and can only authorize financial obligations up to specific pre-set amounts. However, the financial budget of Economic Policy is rather small¹¹³, and is not perceived by top management and alderman as an important control factor. Financial budgets are seldom discussed within the organization.

Furthermore, the majority of the costs incurred or related to Economic Policy are not attributed to this policy name, but are part of the budgets of, for example, development or infrastructure projects.

Non-financial budgetary control relates mainly to achieving the organizational objectives and the organizational and operational performances. Despite the perceived clarity and measurability of objectives and performances, it appears that neither are used for organizational control. The perceived limited controllability of the objectives, in particular in the short term, and also the limited availability of timely information on achieved objectives are given as limiting factors. Information on employability and on business climate is only available after a year, and Quarterly Reports and Annual Reports therefore miss control information on actual achievement of the objectives. The control of the more incidental performances often relates to particular projects and actions, performed by the Economy and Real Estate sector, and Quarterly Reports contain progress information on these incidental performances. Status reports are provided on operational tasks¹¹⁴, and desired performances levels are documented. These reports also contain management-related indicators, for example on sick leave, vacancies, and number of employees. Differences between norm values and actual achievements are, however, not explained. In the Quarterly Reports reference is also made to regular meetings held to discuss progress and bottlenecks and to decide on actions to be taken.

To conclude, tightness of budgetary control is qualified as limited, due to four findings:

¹¹² For more information in financial control, see the section "Planning and control at an organizational level" in this current chapter.

¹¹³ Budget cost of Economic Policy only makes about 7 percent of the total cost of the program Economics and Tourism.

¹¹⁴ Such as: making of a master plan FEC, visiting businesses, start-up of a city marketing program, and the implementation of a relation management system.

- Intolerance for interim budget variation appears to be limited, particularly for organizational control purposes.
- Detailed budget-item follow-ups appear to be limited.
- Intensity of budget-related discussion is limited; budgets are seldom the subject of discussion for organizational control.
- Emphasis on meeting the budget is considered as limited. Non-financial budgets, in particular the development of employment, are considered as important, but are not used for budget control.

Measuring the political and businesslike context

The specificity of objectives for Economic Policy is qualified as average⁷⁴. This measure shows that objectives are perceived as clear and relevant, but at the same time does not make clear what activities the organization should be engaged in. Objectives are also not used for decision making on the priority of organizational activities.

Integration between organizational objectives and performances are thus regarded as limited. Integrated organizational objectives and performances are present, integration of organizational and operational performances in particular.

No clear conflicting pressures on objectives surfaced during the research. Multiplicity of objectives is qualified here as low⁷⁵. Tightness of budgetary control is valued as below average⁷⁶.

Referring to these measurements, the context of organizational control in Economic Policy is characterized only to a limited extent by businesslike aspects (specificity of objectives).

Routineness of tasks

The activities relating to Economic Policy are described by all interviewees as non-routine in nature. Tasks often differ significantly and are not often repetitive in nature. It is often unclear which tasks should be performed; there seems to be no “known road” to follow for the majority of the relating activities. To conclude, routineness of task is valued as low.

Summary Economic Policy case

Economic Policy is concerned with stimulation of employment opportunities in the city. The Council's main objective is to increase local employment in line with national employment trends.

Judging by the emphasis on Economic Policy in most of the organizational planning and control documents, this policy field is highly important for the Council. Objectives for Economic Policy are rarely disputed, clear, and appear to be generally accepted.

Objectives are however difficult to achieve. Objectives are seen as limitedly controllable; the Council appears only to have limited influence on local employability. Objectives are also hard to make operational; managers and politicians also find it hard to find operational performances that relate to the achievement of the objectives. It is often not clear what particular action should be planned in advance. The link between organizational objectives and operational action is therefore considered as weak; objectives do not give direction for action. Achieving Economic Policy objectives appears to be complex too; it relates to many other organizational activities outside the Economy and Real Estate sector. The focus of Economic Policy is often more on the stimulation, motivation, and coordination of activities outside its own sector, than on the actual performances of operational tasks.

As a result, objectives are seen more as strategic mission statements than as performance related control tools.

Many operational tasks of Economic Policy are seen as routine, and are performed every year, but emerging actions are important to. These operational actions are characterized by flexibility and swiftness, in order to react to emerging opportunities or challenges. These ad-hoc projects and activities are supported by the use of a broad range of additional information, often generated for particular purposes on an ad-hoc basis. This information is used to discuss the importance of Economic Policy and the actions to be taken all round the sector.

Achievement of objectives cannot be monitored and analyzed on time because objective quantitative information on the progress of objectives is only available later. Interviewees indicated that using accounting information for control purposes is not really seen as an option. Performance measures often relate to historical trends or developments, and are often used to motivate emerging actions and to influence future budgets.

A comprehensive overview of the relevant aspects of this case study is documented in Appendix VIII Summary of Aspects.

Spatial Planning case study

The structure of this section is comparable with the other case study reports. Firstly, the context in which Spatial Planning is carried out will be briefly examined. The most relevant planning and control instruments, with their embedded objectives and performance measure, will also be described. Secondly, their use is described by documenting the opinions of politicians or managers at three different organizational levels: the executive board, the director, and the operational manager. Finally, the points which emerged during research into the planning and control documents will be discussed.

Spatial Planning policies

According to several memos¹¹⁵ issued by central government's cabinet, the main goal of Spatial Planning is to support civil developments, not only from an economic perspective but also from a more social and cultural view point. Several governmental organizations are responsible for Spatial Planning in the Netherlands. The main direction and overall policies are determined by central government. The Spatial Planning Act and the Space Memo can be seen as documents describing the current vision of national cabinet on this subject. Spatial Planning policy must ensure strong cities and vibrant rural communities. Government policy must safeguard important national and international treasures like nature, the landscape and cultural history, and increase public safety whilst at the same time allowing "space for development".

More detailed planning and the execution of these plans is the responsibility of local government, and both provincial and municipal governments are involved in these processes. Provincial government is mainly responsible for coordination, in particular with regards to Spatial Planning projects relating to more than one city, and supervises the municipal organizations' Spatial Planning activities. The municipal organizations concentrate on the realization of Spatial Planning within the city borders. Municipalities are held responsible for maintaining Spatial Planning policies, and having operational instruments for the achievement of these planned objectives.

For the city of Leeuwarden Spatial Planning can be divided into three subjects: zone planning, zone development, and strategic vision on development.

A zone plan can be defined as the consolidation of local area planning¹¹⁶, which can be redefined or changed¹¹⁷. The city has a legal obligation to keep the zone plans up-

¹¹⁵ Such as: the 5^e Spatial Planning Memo and the Space Memo.

¹¹⁶ In the words of the Dutch ministry of Housing, Spatial Planning and the Environment (source: website <http://international.vrom.nl/>): "A zone plan describes the pre-definition of the development of a specific area of a city. It describes, for example, if a football stadium or a camping site can be developed in a specific area, or where houses of offices are to be built. The zone plan is made for both citizens and the municipal organization. Zone plans do not only define the development of an area, but also describe aspects such as maximum height and width of buildings. Zone plans should be actualized at least every 10 years. In particular situations the zone plan can be modified or changed by the municipal organization."

to-date within a 10 year period, and is accountable for this to the provincial and central government. It is not anticipated that the city of Leeuwarden will comply with this obligation before 2007. In order to increase the progress of the zone plan actualization, the city had allocated extra means to it (in particular extra budget for labor costs). The operational tasks are performed by specialist, legally trained civil servants, and these professionals are often supported by other experts in zone planning¹¹⁸. The central government mandate to use digital information systems for zone planning is also regarded as an important factor.

The city offers support and guidance to people and businesses with their applications for formal city approval on zone developments. Specialized civil servants (urban planners) research and evaluate submitted proposals, and help to guide the proposal through the decision-making processes of the municipal organization.

The third part of Spatial Planning relates to the city's ambition to strategically restructure or redefine the available space. This is the field of city development, of ambitious global discussions and agreements on the spatial development of the city¹¹⁹ and of more local and specific area restructuring plans. Often many different parties are involved in the making of these plans¹²⁰.

Spatial Planning is mainly the responsibility of the Spatial Planning and Development sector. The total number of staff in this sector is equivalent to approximately 55 full time equivalents. The sector is positioned within the City Development and Maintenance department.

Planning and control documents

Objectives, desired effects and performance relating to Spatial Planning have been set out in several planning and control documents, such as the Program Budget 2004 and 2005, the Sector Plan 2004 and 2005, the Annual report 2004 and the Quarterly Report of 2004.

The Program Budget 2004 documents in detail the policies for zone planning and zone development. The strategic objectives that are explained are:

- an up-to-date and adequate regulation of public space,
- digitally recorded and maintained planning,
- improving living standards in city districts.

¹¹⁷ The process of changing a zone plan in the Netherlands is generally addressed as an "article 19 procedure", referring to the legal article that defines the formal steps to be taken to change a zone plan. In the words of the Dutch ministry of Housing, Spatial Planning and the Environment: A zone plan describes how a specific area of a city development is determined.

¹¹⁸ Mainly civil engineers and urban developers.

¹¹⁹ As documented in the City Vision "Sailing under own flag", the marketing concept "Expedition Leeuwarden", the "Inner City Structural Vision", the covenant with the province of Fryslân, and the LSP covenant with central government.

¹²⁰ For example: for the development of an area suitable for the development of a "knowledge campus" (a selected group of high schools), the municipal organization, the related high schools, the provincial government, providers of subsidies and grants, and private banks were involved.

The Program Budget clearly explains the need to keep the zone plans up-to-date, for example by referring to the Spatial Planning Act. This Act mandates local authorities to maintain their zone planning at its current level (using a 10 year period). The city differentiates between preserving zone plans (minor adjustments of existing plans) and more “open” zone plans (describing a new development area). The program Budget 2004 also contains a list of zone plans that are under development. Desirable trends on zone developments are not explained in detail, but the operational objectives of zone development are documented (describing the number of zone plans to make). The Program Budget 2004 also contains a number of performance targets for Spatial Planning. A number of performances relate to the Council’s desire to improve the quality of zone planning or relate to operational activities¹²¹. The focus of Spatial Planning in the Program Budget is on the process of keeping the zone plans up-to-date, on aspects of the City Vision¹²², and on the extra financial means that are designated for these purposes. The Program Budget 2004 also documents a number of risks; for example the limited controllability of the processing time for formal procedures in other governmental organizations, legal claims incurred by changes in spatial plans, and the increase in contractual obligations to meet pre-set time frames.

Spatial Planning is part of the “Spatial Planning, districts and villages” program, and together with the product “District approaches” dominates the financial budget of this program (see Table 20)

Costs and income 2004	costs	income	results
<i>(*€1000)</i>			
District actions	1.372	338-	1.034
Spatial Planning	1.040	20-	1.020
Geometry	174	98-	76
Registration of public space	15	-	15
Council advice on Spatial policies	101	-	101
<i>Total</i>	<i>2.703</i>	<i>-456</i>	<i>2.247</i>

Table 20 Costs Program Spatial Planning, Districts and Villages (source: Program Budget 2004, p. 40)

The Interim Report 2004, which was presented to Council members halfway through 2004, does not mention any expectation that the budget for Spatial Planning will not be complied with, financially speaking. The Interim Report explains the progress on the financial performances, highlights some bottlenecks in general terms, and justifies some decisions still to be made by the city’s Council. The Interim Report gives notice of an expected under-spend on depreciation costs, caused by delays in civil projects.

¹²¹ Performance measurements describe, for example, the quality of support by civil servants to the Council, the new organizational function of development supervisor, operational activities such as judging spatial initiatives, or managing projects, settlement of claims, informing citizens.

¹²² Relating to the development of the inner city and the FEC-city area.

The Annual Account 2004 documents the achievements made in meeting objectives and preset performance targets in Spatial Planning. It explains that due to missing information on the year end situation, no evaluation is made of the extent to which objectives have been achieved. However, performances are evaluated in more general terms¹²³. All other performances are evaluated with a plus. Examples of positively evaluated performances are:

- an up-to-date and adequate regulation of public space, between 1 and 3 plans made,
- procedures performed in time and on quality targets, sufficient number of procedures performed,
- zone planning, 5 plans adjusted.

The Annual Account stated that the costs of Spatial Planning exceeded the financial budget (see Table 21). It is explained that these higher costs were caused by a difference in internal cost allocation of overhead and support costs. Previously, these costs were allocated to an investment project, but due to changed accounting regulations these costs were now allocated to the cost budget of Spatial Planning. This change in regulation appears to have been unforeseen in the Program Budget 2004 and in the Interim Report 2004.

costs and income 2004	costs	income	results
<i>(*€1000)</i>			
Budget 2004	1.040	20-	1.020
Adjusted Budget 2004	1.071	65-	1.006
Account 2004	1.412	142-	1.270
Result	341-	77	264-

Table 21 Cost and Income Spatial Planning (source: Annual Account 2004, p. 123)

The Program Budget 2005 also documents a number of performance targets. The performance measures are comparable with the 2004 budget. The performance measures are:

- zone plans are up-to-date,
- between 1 and 3 zone development plans are made,
- procedures to change zone plans can be used to speed up internal time consuming procedures,
- consultations on Spatial Planning are provided.

The main focus of Spatial Planning appears to be on the development of the inner city, and the major projects that are situated in the city centre¹²⁴, and in the southern districts of the city, such as the “hook” (a relocation of roads, as part of the city ring) and the related new development of business districts.

The financial performances in 2005 are basically comparable with the 2004 budget (cost budget of about € 1 million). The change in accounting procedures, which re-

¹²³ The progress on keeping or bringing zone planning up-to-date is for example evaluated with a plus/minus. The detail per explanation however explains that this process is behind schedule, because the complexity of plans appears to be higher then earlier expected.

¹²⁴ Projects entitled “Olderhoofsterkerhof”, “Nieuw Zaailand”, and “Provinciehuis”.

sulted in a overspending on the 2004 budget, has not resulted in an increase in the 2005 budget.

The Sector Plan 2004 for the Spatial Planning and Development Sector connects the organizational objectives and performances of the Program Budget with more operational objectives and performances. The organizational objectives and performance of the Program Budget 2004 are fully documented in the Sector Plan, and more operational performances are added. The Sector Plans contain, for example, a list of zone plans and development plans that are expected to be completed in 2004. The Sector Plan also describes which claims should be given extra attention. Furthermore the Sector Plan describes the environment of the sector and the planned organizational changes. It refers to the organizational change project "From bulwark to network". The responsibilities of project and product managers are explained, and project management improvements are described by qualitative aspects. The use of the "project tabling meeting" (a meeting to coordinate projects throughout the organization) and the presence of a new development supervisor is also documented. The Sector Plan also contains a vision of the culture in the sector¹²⁵, and explains that the main concern of the sector should be focussed on the products of the sector; on Spatial Planning.

The Quarterly Reports in 2004 (numbers I, II and III) provide summaries of the financial and non-financial performances achieved. Financial performances are evaluated by comparing achieved and budgeted performances per cost centre. The realised progress of the activities relating to the cost centres is documented by a progress indicator, which indicates the progress of activities as a percentage between 0 (start) and 100 (all finished). The reports also contain a year-end estimate of financial and non-financial achievable performances. For example, the Quarterly Report 2004 II (page 8) reported on the progress of the product "Zone planning" amongst others:

"€ 227.318 budgeted / € 135.363 realised (59%)

The up-to-date process assumes an average cost price of € 45.000 per plan. Because several plans took more time, the budget of these plans is overspent. A year-end estimate will be made in the second half of 2004 in order to evaluate if the total cost will be within budget. The costs and control of zone planning are currently viewed as very complex.....Aiming to improve the insight in cost and time spend, it is proposed to manage zone planning by using more project management methods."

Non-financial performance measures of the Sector Plan are also analysed in the Quarterly Reports. The Quarterly Reports give many details and explanations about non-financial progress. The reports contain, for example, appendices on the progress of individual zone plans, on claim settlements, and on zone development. Quarterly Report 2004 III documents, in regard to zone planning, for example a list of zone

¹²⁵ A quote (source: sector plan 2004, page 6): "There exist high levels of functional commitment and professionalism, and loyalty to the city council members. Less enthusiasm exists on the management and support processes, and about efficiency of support deliverances, the time spend and the effectiveness of their own products."

plans in progress, and provides an explanation of the progress of each zone plan. The reports also report on management aspects such as sick leave, vacancies, temporary personnel, and progress of the training plan.

The sector has also made a Sector Annual Report. This Sector Annual Report provides detailed overviews on the financial and non-financial achievements, and information on man hours spent, and the growth in the number of staff. The financial information complies with the organizational Annual Report.

Use of objectives and performance measures

The use of objectives and performances is analyzed in two ways. Insight into their use is documented on three different organizational levels (aldermen, civil director, and operational manager). Then, with reference to these findings, relevant aspects are discussed.

Aldermen

In the alderman's opinion the objectives and performances of Spatial Planning are important for the fulfillment of its operational activities. She explained that the objectives mainly relate to developing housing and offices and to the process of bringing zone planning up-to-date. She emphasized two areas: zone planning and major projects.

The objective of bringing zone planning up-to-date in 2007 was emphasized. The alderman stresses the importance of having up-to-date zone plans, but explained that at the same time an objective of being 100 percent up-to-date is unrealistic. In the words of the alderman: *"A city cannot operate with outdated zone plans, but is rather foolish to decide on a zone plan now, only to change it within a year by a special article 19 procedure"*.

According to the alderman the process of bringing the zone plans up-to-date is on schedule. She explained that extra money and personnel has been made available for this process, and she was pleased that recently many zone plans had been presented at city Council meetings. She also expressed her concerns. In her view, progress on the preservation of zone plans (with only minor adjustments to existing plans) is mainly on time. Zone planning in less documented, or more dynamic, areas is less controlled and is often faced with unexpected circumstances. Overspending of cost budgets and time planning happens often, she explained. The staff to keep zone planning up-to-date is also not yet available.

An example that can illustrate the complexity of a zone plan is the "Zaailand"¹²⁶ project. In this project two Spatial Planning developments meet: the redesigning of the inner city and the redefinition of a zone plan. A brief description of the project: Preparations for the Zaailand project started years ago. The intention at the start was to extend the number of shops around Zaailand Square. In 2000, the city and a national bank (ING-bank) came to an agreement on the main concept of the plan. How-

¹²⁶ "Zaailand" is a big square in the middle of the city.

ever, when the master plan was almost finished, a legacy from a famous citizen became public. Attached to this legacy was a specific clause that had major impact on the Zaailand project. The legacy was to build a new Fries museum at this specific location. As a result of this, the whole plan had to be begun again, but now with many more parties involved (the provincial government, the municipality, the Fries museum, a bank, an insurance company, the local retailers, and the citizens of the city). Also the Council had to ask the citizens their opinion on the new master plan through a referendum. The cost and time schedule for this zone plan are consequently far beyond the first budgets.

In the alderman's opinion it is not possible to manage Spatial Planning just by using the objectives in the Program Budget. Most of these objectives are defined by more general terms. These objectives are, in the words of the alderman, "*can do no harm objectives*". She views these objectives as valuable for monitoring specific operational aspects, but finds this monitoring still an underdeveloped organizational function.

Civil Director

The director explained the layers of the objectives of Spatial Planning.

He saw the first layer as the most concrete layer, relating to the process of updating zone planning. The objectives of this process are well known by all involved in the city's organization, according to the director. He perceived the objectives of zone planning as fairly specific and sufficiently measurable. He stressed that the actual handling of zone planning is done by people in the operationally-responsible sector. His responsibilities are mainly related to the effectiveness of the management, coordination, and support processes of Spatial Planning. He emphasized during the interview the importance of coordination and of discussions between the professionals in his department.

The second layer of Spatial Planning objectives is the spatial development of the city. The director said that objectives for spatial development were defined in more general terms. He referred to the mid-term plan "Sailing sharp", which in his view connects the long-term city policies with the particular tasks to be performed in the coming years. He emphasized the general nature of spatial development plans; these plans should leave room for additional detail later on.

According to the director, communication and the coordination of the organizational tasks of Spatial Planning are considered to be important processes. The city uses the "project tabling meeting" for this purpose; a meeting of the project managers for civil projects, chaired by the director himself. This meeting offers an opportunity for the presentation and discussion of all civil project plans by members of the organization with different responsibilities and capabilities. This multifunctional meeting aims to improve the planning and realization of civil projects.

The director explained that the third layer of objectives relates to the city's vision for Spatial Planning, as defined amongst others in the City Vision "Sailing under own

flag". This layer relates to more strategic and generally formulated objectives¹²⁷. He stressed that these objectives are not supposed to describe specific performances and operational tasks; these objectives are to be used as general guidelines for further detailed planning of particular areas later on.

The director admitted that most managers did not perceive the objectives in this third layer as clear, but added that clarity was not the intention here. He saw the purpose of these objectives as the stimulation of dynamic development in the later stages of Spatial Planning, or in his own words: "*Spatial Planning ought to bring movement to the city*".

Operational manager

Operational managers perceived most of the objectives of Spatial Planning as clear, but added that these objectives were not often used for operational control. They gave some examples.

The objectives of the process of updating zone planning are completely clear to the operational managers, but to them it is largely unclear how they could comply with these objectives. As an example one manager said that the sector did not have enough operational management instruments to plan and control the current process sufficiently. Zone plans are, in his view, mainly standardized processes, executed in an uncertain environment in which unexpected events occur often. Planning all the necessary tasks in advance is therefore not always possible. Thus schedules and the time planning of zone plans are not easy to control.

Another example is the translation of the more generally defined organizational objectives into specific planned operational tasks. Operational managers interpret these objectives as "not yet defined in detail". Although they support this way of defining objectives, and find this method preferable in most situations, they are confronted by some operational complications with this method. The lack of specific targets and norms hinders operational control, they say. Working with generally defined objectives leads to lengthy discussions during the start-up of new developments. Managers said that it was much easier to talk about a specific project than to challenge a generally stated objective, and they feared opportunistic behavior by their colleagues. An area can be sold to a real estate company, for example, before a formal evaluation of the development plans of the realtor have taken place. Managers add that discussions with realtors on the consequences of generally defined objectives are seldom easy, especially after the contract is signed.

According to the sector manager, the objective to include green zones in spatial plans also fuels discussions in the organization. He explains that this objective cannot be used per individual plan; differences in the city areas (densely populated inner city or more suburban areas) cannot be treated equally in this regard. But if an objec-

¹²⁷ The objective that defines city borders is used as an illustration. This objective states that the city should aim for organic borders. This objective is, according to the director, purposely defined in more general terms, which should express the fact that the city is promoting the development of transparent districts with many green zones.

tive is not controllable per project, he finds it even harder to control it at an organizational level. The “Knowledge campus” is used as an example. One of the discussions in this project was the balance between building spaces and green zones, and it appears to have been hard to find the right target ratios to apply on the development of both zones.

An additional problem with the use of objectives for controlling operational activities is, according to the sector managers, the combination of projects and regular activities in the sector. It is often unclear to them whether the costs are to be seen as attributable to projects or regular products. This hinders not only operational budgeting and planning, but also the financial control of his sector.

To conclude, operational managers indicate that they do not make regular use of objectives and performances for operational control. The more quantitative objectives and performances of the Program Budget appear to be limitedly applied for operational control. Even the specific objective of bringing 70 percent of the zone plans up-to-date in 2005 is rarely discussed. There is no regular check on the progress made on achieving this target.

Aspects of budget use

The previously described opinions of the alderman, the director, and the operational managers will be used here to analyze relevant aspects against the research framework. The main level of analysis is again organizational, with its focus on the use of objectives and performance measures at the top of the organization. The research framework and its defined aspects will be the focus of the analysis, but if applicable, other aspects will also be included.

The evidence is summarized and analyzed by the researcher with reference to desk research and interviews where relevant.

Design and quality of the accounting information system

The accounting information system of the municipality yields both financial and non-financial performance information. The financial information for Spatial Planning is particular to the budgeted, realized, and estimated costs of products and expenses and income of projects. Financial information is documented in all planning and control documents, such as the Program Budget, Sector Plan, and Quarterly Report. The financial information of Spatial Planning often relates to variances between achieved and budgeted costs-related performances and estimated year-end costs.

The non-financial accounting information related not only to budgeted performances but also to additional information. Additional information is often used to explain and detail situations which arise, and relates to both internal management aspects as well as to a wide-scale of more project-related issues.

The quality of accounting information is valued differently by interviewees. At an operational level the quality of information is perceived as insufficient. Operational

managers indicate that the supplied accounting information does not meet their requirements: for them the information is not in the right format, and seldom delivered on time. At a more organizational level the quality of information is perceived as sufficient. Here, information often appears to be delivered for a specific purpose and in specially made formats, and is often provided in a project control setting.

To conclude, the accounting information system of Spatial Planning contains both financial and non-financial performance information. Financial performance information is present in great volume and in detailed format, and relates to budgeted values, achieved values, and additional information. Non-financial information is also present in great volume, and often relates to budgeted values, achieved values, and additional information related to projects.

The observations are quantified into a score⁶⁵. The scope of the accounting information system for Spatial Planning is tentatively valued by the researcher following the previously introduced method of assessing the various case findings. Using a 5-point scale, the scope is labeled as “above average”⁶⁶. The quality of the accounting information is valued in the same tentative way as the scope, and is labeled as “average”⁶⁷.

Applied role

The interviews provided a view of the different ways in which accounting information is used in practice; they presented an insight into the roles of performance measures. This study has defined five different sub-roles or functions by which archetypal roles can be recognized¹²⁸. These five functions and the relating archetypal role (between brackets) are:

- to diagnose, to compare actual and budgeted performance (answering role),
- to learn and to change ways of doing (learning role),
- to unequivocally signal what is important (learning role, ammunition role),
- to influence future budget increase (ammunition role), and
- to report and explain on past performance (rationalization role).

Firstly, the results of the interviews and desk research are used to assess whether the use of performance measures is for diagnostic reasons, that is, for comparing financial and non-financial variances in performances.

Managers often use performance measures for gaining an insight into the status of Spatial Planning activities. They received monthly information on, for example, the number of hours worked, sick leave, and budget use. However, this information is not used for organizational control, or in the words of a manager: “*currently we do not see it coming*”.

According to managers, it is not possible to make realistic plans in advance, or to properly evaluate the progress achieved on these activities. Every two weeks and

¹²⁸ For more detail on the theoretical definition of the roles and their function see chapter 2, A Theoretical Research Framework.

every month a status report is produced, but these reports are mainly used to discuss the progress on more management related processes (such as work-load of employees, or steps in the discussion making process by the elected member of the Council). Evaluation of the financial performances mainly takes place bi-annually, during the making of the Interim Report and the Annual Report.

Spatial Planning is often realized through projects, and detailed information on the status of projects is often discussed by the members of the project teams. Progress on large or major projects is reported regularly three or four times per year, and these reports are used during project meetings to discuss specific issues, problems, or bottlenecks. These project reports are made-up in a standard format, and document both financial (expense budgets) and non-financial performance measures (for example milestones and duration of activities), and contain explanatory notes on particular items.

Politicians said that when they received information on the status of Spatial Planning projects they had often asked for specific information, but this was often not included in the standard report formats.

Secondly, the use of performance measures for learning, signaling and influencing future budgets is assessed.

Performance measures appear to be only limitedly used for learning and signaling purposes. Status reports seldom contain issues unfamiliar to management and alderman, and are used more as status reports than sources of information that can be used for decision making. However, performance measures are used for influencing future budgets. Clear examples of this influencing function are the reports on the progress of zone planning. Operational managers explained that these reports were specially made to explain to the elected members of the Council that achieving the objectives could not be realized within the current budget limits.

Thirdly, a brief assessment of the use of performance measures for reporting and explaining past performances is presented.

Performance measures are often used to report on and account for past performances. Quarterly Reports and the Sector Annual Account contain a mass of information. Newsletters are often used to report the progress on projects to people living in the city, and reports are also frequently sent to central government about the progress of specific Spatial Planning projects.

To conclude, performance measures are:

- only partly used in a diagnostic way. Only financial performance measures on aggregated budgets are used in a diagnostic way. Performance measures, in particular non-financial measures, are often used for operational budgeting, planning and status reporting, but are not often used for organizational control of budgeted performances.
- limitedly used for learning and signaling,
- sometimes used for influencing next period budgets,

- used for reporting the past, and to account to external parties.

Businesslike or political context

As previously discussed a more businesslike context is associated with:

- specific organizational objectives,
- relatively tight budgetary control (low tolerance of intermediate budget variances, detailed analysis of budget variances, intensive communication about budgets, emphasis on meeting the budget),
- integration of strategic objectives and operational performances (formal organizational planning is coupled with operational control).

A more political control context is especially associated with a high level of multiplicity of objectives.

The aspects relating to the two contexts are discussed in detail in the next section.

Specificity and integration of objectives

Objectives relating to bringing zone planning up-to-date are perceived on average as clear and specific at all organizational levels. However, the formal organizational objective to bring all zone planning up-to-date in 2007 is only documented in the Program Budget and the Annual Report. The Sector Plan and the Quarterly Reports appear to focus on particular zone plans in progress. As previously discussed, achieving this objective is perceived by all interviewees as hard. Zone plans often appear to be more complex than earlier expected, and fully up-to-date is seen as practically impossible to achieve. This objective of zone planning is therefore relevant, but not completely clear to participants. Integration between objectives and operational performances appears to be restricted. Objectives also do not determine the priority of the tasks to be performed. The pressure exerted by external parties (provincial and central government) to achieve the formal stated objective is seen as a major driver for speeding up the operational processes and increasing future budgets.

The objectives relating to zone development and strategic development are perceived as less clear, and limitedly integrated with operational performances. These objectives are seen more as strategic, providing general direction, then specific and useable for prioritizing operational tasks.

Multiplicity

There are no indications of conflicting pressures on the objectives of Spatial Planning. The Large City Policy covenant between the Council and central government, and the covenant between the Council and provincial government do not appear to result often in conflicting visions on Spatial Planning. When discussions did occur, they appeared to concentrate on particular projects, often related to the financial aspects of these projects. Conflicts between the elected members of the Council, the board of Burgomaster and aldermen, and the civil servants were not revealed during the desk research and the interviews. Elected members of the Council are intensively involved in operational aspects of Spatial Planning (zone planning and zone developments), but discussed mainly particular projects and seldom the policies behind or the objectives attached to Spatial Planning.

Civil managers do argue about the operational aspects of Spatial Planning, for example on the translation of generally defined objectives into operational and specific aims. Conflicting interpretation of operational aims is registered. The specific objectives attached to the development of an area of the city are often not formally pre-defined, and can lead to discussions later on.

Tightness of budgetary control

Budget tightness is limited in Spatial Planning. Budgetary control relates to products and projects, and to financial and non-financial control.

Financial control is performed within the organization's rules and guidelines for control¹²⁹ and product and project managers have to comply with these specific rules and procedures. Tightness of budgetary financial control at operational level is therefore considered to be high. Budget-responsible managers are not allowed to incur more costs than budgeted, to spend more cash than budgeted, and can only authorize payments up to specific pre-set amounts. These behavioral restrictions do not result automatically in tight budgetary control at an organizational level. For example, overspending on one project budget can be compensated by under spending on other projects. Similar processes are also used to compensate for overspending on product budgets. This compensation mechanism is controlled by internal rules, and demands the formal approval of senior management.

Financial budgetary control at an organizational level is however perceived as limited. Managers saw unclear cost allocation and uncertainty in the execution of operational tasks as the main reasons for this limited control tightness. Operational managers saw financial budgetary control more as an administrative process than a tool for organizational control.

Operational managers often did not comprehend the administrative environment of Spatial Planning. The discussion about administrative classification of cost can be seen as an example. The costs of on-going activities of a sector are booked on the costs budgets, and costs or expenses of projects are booked on project budgets. However, for operational managers it often appears unclear which particular activities are regarded administratively as on-going. The sector also has special funds for covering special costs, for example the costs attached to the extra capacity needed to speed-up the process of zone planning. Operational managers often found it hard to differentiate between these special or regular cost categories, and were frequently involved in discussions on both budgeted costs and actual cost long after a particular budget period was over. Operational budgets appear to be regularly overspent. Operational managers were fully aware of this situation, or in the words of a manager: *"I am allowed to live above standard"*. He added: *"It is not easy. Only the costs for 10 of the 18 staff members can be reasonably forecasted up front, but the coverage of the remaining cost is uncertain to me"*.

¹²⁹ For more information on financial control, see the section "Planning and control at an organizational level" in this current chapter.

It appeared to be difficult to plan all the activities relating to Spatial Planning in advance, and to estimate all the costs that are attached to these activities. Activities often seemed to be unavoidable; they just had to be done. Managers often decided to execute the desired activities and to accept possible budgetary overspending. They used a kind of “alert-system”, when activities of the municipality attracted attention from the elected members of the Council, people of the city, or the local media, these activities are mostly performed first. Managers agreed that this system resulted in neglect of the less externally visible activities.

Finally, the limited interest of operational managers in financial budgetary control appears to be a relevant factor. The professionals at operational levels are described by top managers and politicians as “*artists, in whose opinion accounting is a derivative need*”. Managers and politicians saw financial control of public-private development projects as much higher. In the words of the alderman: “*They do not work faster, better, or more efficiently, but it is remarkable that the quality of financial reports is much higher there. They can manage the whole project almost entirely by these financial reports.*”

Non-financial budgetary control of Spatial Planning is also regarded as limited, even for the more specific zone planning projects. Although zone planning appears to be controlled by a tight project management approach, the actual budgeted target (70% up-to-date in 2005) or objective (100% up-to-date in 2007) is not operational. Both are absent in operational planning, not monitored during the year, and knowledge of how to manage deviations from pre-defined targets appears to be underdeveloped. Controlling zone planning in the city center appears to be even more difficult, and the “Zaailand” project is used as an example.

Non-financial performances that are controlled are mostly related to internal management and support processes, and relate, for example, to hours worked, and meeting legally set time-frames in particular procedures.

To conclude, tightness of budgetary control is qualified as limited, which can be justified by four points:

- Intolerance for interim budget variation appears to be limited, particularly for organizational control purposes.
- Detailed budget-item follow-ups appear to be limited. Detailed follow-ups are applied for operational project control, but this aspect is not of significant importance for organizational control.
- Intensity of budget-related discussion is limited; budgets are seldom the subject of discussion for organizational control.
- Emphasis on meeting the budget is considered as limited.

Measuring the political and businesslike context

Specificity of objectives within Spatial Planning is qualified as below average⁷⁴. This measurement expresses the finding that these objectives were mostly formulated in general terms, and were hardly applicable for operational budgeting, planning and control, although objectives are perceived as relatively clear and relevant. Multiplicity

of objectives is valued as below average⁷⁵. Only conflicting pressures on the use of objectives by different groups in the municipal organization surfaced during the research. Tightness of budgetary control is valued as below average⁷⁶. Referring to these measurements, the context of organizational control of Spatial Planning is characterized by limited businesslike aspects (limited specificity) and limited political aspects (limited multiplicity).

Routineness of tasks

The activities relating to Spatial Planning are described by all interviewees as on average routine in nature. The tasks of employees are seen as repetitive and known. However, in practice employees often have to perform many different and unplanned tasks. It appears to be hard for managers to prepare a plan that can be used over a long period. Tasks are often rearranged during the year. Tasks appear to be well known, but it seems difficult to plan these tasks in advance. To conclude, routineness of task is valued as average.

Summary Spatial Planning case

Spatial Planning covers a wide area of activities, but is mainly concerned with supporting and planning civil developments in the city. Spatial Planning is embedded in national and regional Acts, programs and governance structures. The Council focuses on the more practical side of it; on the practical consequences of Spatial Planning within the city's borders.

The external environment of Spatial Planning is characterized as complex and not easily controllable. Many parties are often involved in Spatial Planning projects (such as Council members, citizens, other governmental and non-profit organizations, and business organizations), and actual developments in society can easily influence objectives and operational tasks.

Spatial Planning operates in an internal environment in which professionalism (especially legal and development), strategy (policy and development of the city), and public administration (coordination of Spatial Planning throughout the government) are relevant.

The objectives of Spatial Planning are often more of a strategic nature than for directing specific operational actions, and are often set in more general terms. Objectives are rarely used for decision-making on specific operational tasks. Even when it was possible to use more specific objectives (for example for keeping zone planning up to date), they were not often used for operational or organizational control. Here objectives were seen as relevant, but were mainly used to justify future budget increases.

Performance measures are used on operational level for budgeting, planning and reporting. The reporting function provides status reports and accounts, and supports the communication of achieved performances to external parties. These reports often provide volumes of additional information.

Spatial Planning is often executed through projects, but achieving Spatial Planning's objectives is often only one of the desirable project results. Developing a new city district is not solely focussed on Spatial Planning, but is often also focussed on aspects of a more economic or social interest.

The Council considers project management an important management method and special attention is given to it. Project control, controlling individual projects by project managers, is well developed. Projects are planned in advance, divided in "go-no go" phases, provided with clear milestones, decision-making processes, and clear division of authorisation. Projects meet detailed planning and report requirements, and appear to function separately from, but not isolated from, the organisational planning and control instruments.

A comprehensive overview of the relevant aspects of this case study is documented in Appendix VIII Summary of Aspects.

